श्री महेश्वर सिंह (हिमाचल प्रदेश): भूमि पूजन से आपको क्या आपत्ति है। भूमि पूजन कोई धर्म नहीं है यह हमारी संस्कृति है ...(व्यवधान)

THE VICE-CHAIRMAN (SHRI MD. SALIM) Please sit down now. (*Interruptions*)

SHRI R.K. KUMAR (Tamil Nadu) : Mr. Vice-Chairman, Sir, with due respect to my hon. Colleague, I think it is a totally wrong notion to associate *bhoomi pooja* with any religion. There is no religion involved in it. You do not light a lamp in a temple only and if you light a lamp in a function, it doesn't become a religious function. *(Interruptions)* It is customary to organise inaugurations so that things go well. When you start a project, you wish that it does well. *Bhoomi pooja* is a *pooja* and there is no communal or religious thing involved in it. That is what I wanted to say.

THE VICE-CHAIRMAN (SHRI MD. SALIM): Before we adjourn for lunch ...(*Interrutptions*)...

श्री नारायण प्रसाद गुप्ता: यह कोई मजहब का सवाल नहीं है।

उपसभाध्यक्ष (श्री मोहम्मद सलीम): बस अब हो गया।

Please sit down. (*Interrutptions*) Sit down. (*Interrutptions*) The matter is over. Mr. Chandradeo Prasad Varma will introduce the Bill now.

THE PROVISIONS OF THE PANCHAYATS (EXTENSION TO THE SCHEDULED AREAS BILL) 1996

ग्रामीण क्षेत्र और रोजगार मंत्रालय में राज्य मंत्री (श्री चंद्रदेव प्रसाद वर्मा): महोदय, मैं प्रस्ताव करता हूं कि पंचायतों से संबंधित संविधान के भाग 9 के उपबंधों का अनुसूचित क्षेत्रों पर विस्तार करने वाले पंचायत उपबंध (अनुसूचित क्षेत्रों पर विस्तार) विधेयक, 1996 को पुर:स्थापित करने की अनुमति दी जाए।

The question was put and the motion was adopted.

श्री चंद्रदेव प्रसाद वर्मा: महोदय, मैं विधेयक को पुर:स्थापित करता हूं।

THE VICE-CHAIRMAN (SHRI MD. SALIM): The House is adjourned for lunch for one hour.

The House adjourned for lunch at eight minutes past one of the clock.

The House reassembled after lunch at fourteen minutes past two of the clock [TheVice Chairman, **(Shrimati Kamla Sinha)** in the Chair.]

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): The Minister of Finance is to lay the Budget (Uttar Pradesh) 1996-97.

Mr. Chidambaram.

THE BUDGET (UTTAR PRADESH) 1996-97

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Madam, I beg to lay on the Table a statement (in English and Hindi) of the estimated receipts and expenditure of the Government of Uttar Pradesh for the year 1996-97 (Annual Financial Statement).

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): Now, we will take up the Short Duration Discussion. Shri Gurudas Das Gupta.

श्री नारायण प्रसाद गुप्ता (मध्य प्रदेश): मैडम, स्पेशल मेंशंस कब लेने वाले हैं?

उपसभाध्यक्ष (श्रीमती कमला सिन्हा) बाद में।

SHORT DURATION DISCUSSION on Government's Move to invite Private—Indian and Foreign Firms into-Insurance sector

SHRI GURUDAS DAS GUPTA (West Bengal): Madam, I thank you for inviting me to initiate a discussion on insurance in general and particularly on the question of inviting private firms. Indian and foreign, into the insurance sector. It is an important issue. It concerns insurance; it concerns millions of policy holders; it concerns the social welfare of the country; it concerns a vital part of the economic policy of the present Government. I never say that all is well in the insurance sector. Nowhere is all well. I say that the

insurance sector has to be restructured, it has to be strengthened. There are problems in the insurance sector and the Government needs to take action.

It is true that there are complaints from the policy holders and customers, but, the point is, to meet the problems of the customers, is it necessary to invite private firms—foreign and Indian—into the insurance sector? That is the issue. To begin with, let me inform the House that the employees belonging to insurance, irrespective of their political commitments or union affiliations, are ready to sign a memorandum of understanding with the Government, with the insurance authorities, to bring about improvement in the quality of service, particularly in relation to customer service and in relation to transparency. At the same time, it is also true that there is mismanagement and corruption in the insurance business.

Employees are second to none in bringing about a change in the situation. I may inform the House that if anybody, after signing a memorandum of understanding is found to be wanting, it is for the management to take appropriate action. Trade unions are equally eager to bring about an improvement in the quality of work and to plug loopholes that are there in the insurance business. While saying so, Madam, I have every reason to oppose the move of the Finance Minister, Mr. Chidambaram, to invite private firms, Indian and foreign, into the insurance business. My friend, Mr. Chidambaram, has been a relentless campaigner in inviting private firms—particularly the foreign firms in the insurance business—in the country and abroad. Madam, hon. Mr. Chidambaram extended a welcome to foreign insurance compaines on June 18, 1996. On August 7, the Finance Secretary declared that restructuring of insurance was a priority. On October 2, probably the most auspicious day for making a statement on the soil of America, the hon. Minister again opened up and declared that foreign insurance companies were likely to be allowed next year. A month later, the Finance Minister sent out the same singal that the highly regulated insurane industry will be thrown open in the next year's Budget.

Mr. Chidambaram advocates a policy, in my opinion, of partial privatisation on a wrong analogy with banks. But, that is not the issue. To me the point is after the signal was given from the highest quarters, the Reserve Bank of India had well taken the message. I would like to know under whose authority and instruction the RBI has recently permitted the opening up of insurance liaison offices of four foreign companies at Bomaby, namely, Yashuda Insurance Company of Japan, Zurich Insurance Company of Switzerland, Cigna International Insurance Company of USA and Allianez. Taking the signal of the Ministry of Finance emanating from the action of the RBI, the leading industrial houses of the country lost no time in building up collaboration officially and formally with a number of foreign companies. For example, Tata tied up with AIG of USA, Bombay Dyeing tied up with the General Insurance Company of UK and DCM tied up with Sunlife of UK. On top of everything the State Bank of India which is still in public sector even after disinvestment, has also tied up with a foreign insurance company. Madam, the question that arises is: Under whose authority and whose instruction has there been a systematic move to clear the decks for induction of private Indian and foreign companies into the insurance business? Madam, insurance sector was nationalised by an Act of parliament by successive doses of legislation, as in 1956 and as in 1971. Insurance sector is not a mixed sector. It came under the domain of nationalised companies because it was so decided by the Parliament and the Government. Now, the point is that this Act of Parliament which puts insurance business under the domain of the nationalised sector is sought to be devalued by the repeated pronouncements of the hon. Finance Minister with regard to giving permission for the opening up of offices of foreign insurance companies and the public sector entering into an arrangement with the foreign insurance companies. Madam, under whose authority is this Act of Parliament sought to be devalued and whose authority signal is being given? If it is not a question of changing the decision of Parliament, it is at least, a question of acting over the head of Parliament because it is the Parliament alone which can modify its earlier

decisions, which can change its earlier decisions. It can correct the wrong that might have been done in 1956. If the Parliament had done any wrong by nationalising the entire insurance sector in 1956, that wrong can be rectified only by Parliament through another Act. Therefore, it seems as if this move has been set in by people who are at the helm of the Ministry of Finance. They have not been authorised by Parliament.

I do not know whether it enjoys the authority of the Cabinet. It is not for me to tell that ...*(interruptions)*....

SHRI SURINDER KUMAR SINGHLA (PUNJAB): He has not signed it. The leader has signed it.

SHRI GURUDAS DAS GUPTA: Madam, the issue is, let us not take protection under the cover of Common Minimum Programme. When the CMP has signed,—let it be known once and for all—a number of political parties, including the party to which I belong and including some of the political parties, could not agree with it. It was made very clear in the same meeting and subsequently the same opinion was conveyed to the hon. Prime Minister that we do not want to forego our right to openly oppose or even take recourse to vote against if a move is made to hand over, even partially, the nationalised public sector to the multinationals ...*(interruptions)*...

SHRI SURINDER KUMAR SINGLA Madam, it is the official policy of the party which is in power ...*(interruptions)*...

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Kindly take your seat ...*(interruptions)*....

SHRI SURINDER KUMAR SINGLA: Madam, let him clarify whether the C.M.P. is a policy of the United Front Government or not? ...*(interruptions)*...

THE VICE CHAIRMAN (SMT. KAMLA SINHA): Mr. Singla, please take your seat ...*(interruptions)*... Let him speak ...*(interruptions)*...

SHRI SOM PAL (Uttar Pradesh): He can ask when his turn comes. ...*(interruptions)*....

SHRI SURINDER KUMAR SINGLA: Yes, I am asking ...*(interruptions)*....

SHRI SOM PAL: You can ask when it is your turn ...*(interruptions)*.... When it is your turn, you are very free to ask ...*(interruptions)*....

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Singla, your name is here. You can make your point when you speak ...*(interruptions)*.... You are not supposed to intervene when another hon. Member is speaking ...*(interruptions)*.... So, please sit down... Mr. Gurudas Das Gupta, you continue.

SHRI GURUDAS DAS GUPTA: Madam, I am running a high temperature. But I seek the indulgence if anybody has a question. I am here to answer. My physical condition does not permit me to go on repeating in a situation of interruptions. I seek the indulgence of the House. Madam, the question, therefore, is why the insurance sector is being thrown open. What is the reason behind it? It it for money? Is it for foreing exchange? Is it to get better technology? Or is it to build up a competitive environment in the insurance sector? If it is for money, Madam, how much of money have they already promised the hon. Finance Minister to put in? How much of money. Is it several billions or several thousands of millions? Whatever they might have promised, whatever funds they may have decided to bring in, I would say, by opening up the insurance sector, we are allowing them to have a free access to larger investible funds and we are making our economy vulnerable to the insurance agents of the world.

Secondly, if it is a question of technology, it is the computer technology that is needed. If you do not have the required standard of computers, then let us purchase them from the world market though at a higher rate.

If it is a question of building up competitive environment in the insurance sector, may I submit that the competition may lead to cut-throat competition. It has happened in many parts of the world. It may lead to colossal loss on the one hand and, on the other, it may lead to unholy tie-ups between insurance companies resulting in high cost insurance for a poor country like India. Madam, excessive competition in the insurance market, in different parts of the world, especially, in the developed countries, has resulted in erosion of

commercial feasibility. There has been an erosion in commercial feasibility in the insurance market in most of the leading, advanced, capitalist countries of the world. Because of the cutthroat competion, people look for higher returns. Because of the higher returns, there has been a move for high-risk investment. As a result of this, a large number of insurance companies have slipped into insolvency.

Let us look at our own market. Let us look at marine insurance. In marine insurance, our General Insurance Company has lost Rs. 200 crores of premium collection. The GIC has lost Rs. 200 crores of premium collection because there was a reduction in premium. From 17 paise per hundred rupees assured... Madam, the hon. Minister is leaving. It has not been the tradition of this House.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Let me explain. The Prime Minister has called an urgent meeting. The Minister had sought my permission. He will come back within half-an-hour.

SHRI GURUDAS DAS GUPTA: It has not been the tradition of this House, Madam.

THE VICE CHAIRMAN (SMT. KAMLA SINHA): Meanwhile, the other Cabinet Minister is taking notes.

SHRI GURUDAS DAS GUPTA: Anyway, I bow down to your judgment. But I reiterate that it has not been the tradition of this House.

As I said, marine insurance in the country has lost Rs. 200 crores of premimum collection within seven days. This was because there was a reduction in the payment of premium from 17 paise per hundred rupees assured to 1 paise per hundred rupees assured.

Madam, the opposite examples are also there. What is the opposite example? There was an unholy tie-up. Because of this unholy tie-up, the cost of insurance has immensely increased in many parts of the world. May I give you an example? Three years back, third party insurance for a car was 400 dollars in the city on New York. It is now 900 dollars. The rate is the same for new as well as old cars. The rate of full insurance it is not third party insurance for a car is 3,000 dollars in New York.

Therefore, the most important question is : who is going to suffer and who is going to benefit? Because of the induction of the foreign insurance firms, who is going to benefit and who is going to suffer? Most probably—it is most likely the foreign insurance companies and the foreign financial institutions, with their massive financial resources and the tremendous political clout they are likely—to enjoy in this country we know that political influence plays its role in our social and economic life—would, practically, be armtwisting our firms. Even if they are nationalised, they would find it very difficult to sustain the uneconomic, unrealistic, unproductive and unethical competition, as a result of the induction of the foreign firms. It would be very difficult for them to maintain their commitment towards social security in the country. This morning, Madam, hon. Members from the other side raised the issue of the condition of the secondary market. Why has there been a decline in the secondary market? Why could not the Finance Ministry, why did not the Finance Ministry, pick up the courage and tell the country as to what are the reasons for the decline in the secondary market. We are at the mercy of the foreign institutional investors. It is because of their overactivism. It is because of the role played by them. They decide at their own sweet will, to suit their own interests. Sometimes, they are overactive; sometimes, they withdraw.

It is because of the role of the foreign institutional investors that we are facing a serious debacle. We have surrendered our secondary market to the foreign institutional investors. I apprehend that in the same way the insurance sector also is going to be surrendered to the foreign insurance companies.

Madam, cutthroat competion does not always lead to insolvency. Cutthroat competition also leads to delinguency. As a result of cutthroat competition there is a craze for higher returns, and the quest for higher returns lands the insurance companies in high-risk investment—and there is a rising wave of delinquency all over the world, particularly in the developed capitalist countries. To give you a few examples, the Indian Parliament must also take cognizance of the findings of

the Parliamentary sub-committees set up by the House of Representatives in America. In 1990, a Senate Sub-Committee submitted its report to the House of Representatives on the rising insolvency of American insurance companies. It spoke in detail of--I quote--"scandalous mismanagement and rascality of the pirates."

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Das Gupta, you have taken about 20 minutes by now. May I know how long more you want to take? I am sure you would like to have the opinion of you other colleagues also. So, Kindly be short and complete it.

SHRI GURUDAS DAS GUPTA: Not very long.

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): I want to know. between"long" and "very long" there is quite a difference. How much more time do you want to take?

SHRI GURUDAS DAS GUPTA: If you kindly permit me, I will take not more than 15 minutes--not more than that ...*(Interruptions)*... or, if you so desire, I can shorten it--no problem.

...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Try to be concise. Try to make it 10 minutes.

SHRI GURUDAS DAS GUPTA: I can just sit down now, no problem. I have made my point.

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): Continue. Try to conclude within 10 minutes.

SHRI GURUDAS DAS GUPTA: Madam, I am quoting from a report of the House of Representatives of America and they talk of "scandalous mismanagement and rascality of the pirates." A sub-committee headed by Senator John De Dingell, while reviewing the work of the American insurance companies, had stated--I quote--that "Annual yellow Financial Report booklet filed by the insurance companies with the Financial Commissioners is often a yellow peril because of dubious reliability." Therefore, the point is, firms having dubious reliability and scandalous mismanagement are sought to be most generously invited by the present Government , closely following the footsteps of their predecessor, to take over the insurance business.

Madam, when our insurance business was nationalised in 1956 and 1971, what was its characteristic? Parliament had discussed it in detial. If you look into the deliberations, what will you come across? The characteristic of the pre-nationalised insurance business was marked by reckless competition in rates and terms, fictitious appointments, arbitrary mismanagement, high-risk investments and companies functioning as outlets of funds for black and illegal business. This is the experience at home and abroad, in the United States and in India. In that case, how does the hon. Finance Minister feel so emboldened and inspired as to go out so openly and repeatedly without Parliament deliberating the same?

Madam, the question, therefore, is that this step which the Government wants to take, is against the interests of the common people. I do not plead against entry of foreign firms because the interests of the workers are going to be affected. I am ready to surrender the interests of the employees if national interests are served. It is not a question of the interests of the employees being affected. The question is that the nation stands to lose.

What is the profile of the insurance business in India? The profile of the insurance business is different, remarkably better that that of many of the counterparts elsewhere in the world. Today The total investible funds of life insurance is Rs. 75.000 crores, and 75 per cent of the investible funds has been invested in Government securities, in financing the State Electricity Boards, the State Road Transport Corporations and housing schemes.

I apprehend, Madam, that a large part of the investible funds shall be diverted in quest of higher return and profit and shall be diverted away from development or and go for uneconomic financial transactions. As a result, the country will lose.

We are poor because we do not have money. The Government has to go out borrow funds

from outside. We have to bow down to the dictates of foreign financial institutions because we do not have money. In a situation of acute financial stringency, the Government is objectively deciding, or the hon. Finance Minister is deciding to hand over a large part of the investible funds to foreign companies and private Indian companies which have no obligation to invest the same for development and which will be free to repatriate their profits outside the country.

If the hon. Minister speaks of a monitoring and regulatory mechanism, we know how foreign banks are being regulated by successive Indian Governments. We know how Government officers noted on a file, "These are foreign banks, and we have to be soft on them." Therefore, we have very little faith in the mechanism of regulation so far as foreign financial institutions are concerned.

Madam, as we all know, insurance is, of course, a business, and the bottom-line, of course, counts. But, in insurance, the philosophy of profit-making must be integrated with the concept of social welfare and the safety of the nation. I don't believe that foreign companies which are being invited to the country, will have any commitment for our national welfare because I have seen how the foreign banks have been working.

SHRI SURINDER KUMAR SINGLA: Indian banks also.

SHRI GURUDAS DAS GUPTA: Madam, it is a matter of regret that the role of the Indian banks is being equated with the role of the foreign banks.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Das Gupta, you don't have to take any notice.

SHRI GURUDAS DAS GUPTA: I don't take notice.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): You don't have to answer them. You continue.

SHRI SURINDER KUMAR SINGLA: No Indian bank was involved in any scam at all !

SHRI GURUDAS DAS GUPTA: Madam, this only provokes me to inform the House that one report after another of the RBI has candidly pointed out the notorious role of the foreign banks in the country. It gives me pleasure to tell the House that the Joint Parliamentary Committee unanimously recommended that more stringent measures have to be taken to discipline the foreign banks. My hon. colleague who was a Member of the Joint Parliamentary Committee is there to corraborate my statement. In the course of the deliberation over scam it has been found that 90 per cent of the irregularities were committed not by Indian banks to the great dismay of my friend but by the foreign banks in the country.

This does not mean that I should be soft if there is any illegality committed by an Indian bank. That is not the issue. The issue is: who is the villain of the piece? The villain of the piece is the foreign financial institutions in the stock market of Bombay. The villain of the piece is the foreign banks so far as the financial system of the country is concered. In the same way, foreign insurance companies are likey to jeopardise the concept of social security if they are allowed to take over the insurance business.

Therefore, my point is that the conomic fundamentals do not justify the induction of foreign firms. Nor do the foreign firms display any bias in favour of the social commitments of the country. In such a situation, what should be the compelling reason for the hon. Finance Minister to go in for it so violently, meticulously, in a cold-blooded and calculated away and creat a situation when induction of foreign firms into the insurance sector becomes a *fait accompli* in the country. I am opposed, as many of us are, to the way in which foreign firms are being invited. It is a clandestine move. On the merits of the thing, I am opposed to this move. I believe it will be dangerous for the country as a whole.

While concluding I would say that the largest insurance companies of the United States of America and Britain had exhausted the spread of risks inherent in the insurance business and suffered catastrophic losses. They now survive on the incomes generated out of the investments they made out of the accumulated surpluses, but their market has not become totally saturated. So, I would like

to know whether it is part of a salvage operation for these foreign companies, which have been doing so bad in their own countries that the Indian market is sought to be opened up. Madam, the delinquent firms are being invited to enjoy the virginity of India's insurance market. It will be a tragedy if any one of us is dubbed in the future as an accomplice, of them whose interest lies in the plunder of India's national savings invested particularly in the insurance businss.

SHRI TRILOKI NATH CHATURVEDI (UTTAR PRADESH): Madam, the subject under discussion during this Short Duration Discussion is of great import to the economic future of the country. I am not at all in agreement with the approach that the successive Governments have adopted to this particular issue. Ardent liberalisers somehow or other have been going from one step to the other without considering the interests of the country or taking the people of the country into confidence. There has always been talk of transparency and consensus on economic policies as regards the economic reforms, but there has never been any discussion with the political parties about the approach to the main planks of economic reforms. Earlier also it has been said in this House that the Government should not slow down the pace of economic reforms, but the character, the direction and the approach to the entire question is something which is one-sided and which has to be decided entirely by the Government. That is why very often the doubt arises as to what exactly is there in the mind of the Government.

As an interim measure an Insurance Regulatory Authority has already been set up. The previous Government as well as the present Government have been saying from housetops that they are going to introduce reforms in the insurance sector. They are going to liberalise it. Obviously it is under pressure because the entire edifice of the economic reforms consists of a number of planks, about stock exchanges and about FIIs.

My hon. friends, Shri Satish Agarwal and Shri Ashok Mitra, have already explained the position, in the past, as to how the economic sovereignty of our country has been undermined. I would say that the economic foundation of the country is being undermined by this step. When we talk of economic liberalisation, we just want to bring in foreign insurance firms. So far as we are concerned, we have no ideological hangover abut the institution. But what is in the international interest must receive our primary attention. The intention of the Government seems to be to hand over this service industry to foreign companies, particularly, from Europe, USA and Japan. This industry has been flourishing and thriving in our country. Why should we bring in foreign firms?

Madam Vice-Chairperson, you are fully aware and the House is fully aware that so far as insurance industry is concerned, it is not something very new our country. It may be a truncated one. It might have been adopted to suit the alien power when we were under the British rule for obvious reasons. They wanted to further their economic interests. But there was an insurance industry and that had at least two effects. One, some infrastructure had been build in this country. Two, some expertise had been built in this country. With attainment of independence by India, most of the foreign insurance firms decided to wind up their business and go away. So far as economic development of the country is concerned, this was the sympathy of foreigners. From the beginning we can see how much they were interested in the economic development of India. They arrested our progress both politically and economically. Of course, we had some private companies. There were a large number of defects. Those defects are still continuing. But that is not the point. The point is the LIC was set up to remove those defects which had crept in, to remove those inadequacies which were there. But nothing has been done to remove them by the previous Government. They have not done anything to rectify those inadequacies and defects which had crept in. They have not done anything, whether it was a question of morale or motivation of the worker, whether it was a question of monitoring or whether it was a question of holding the people in authority to account. Now, the same people blame the

insurance set-up after its nationalisation. They were ignoring the defects, their responsibility in fixing up the accountability. Now, they blame the insurance sector. They think that the only panacea, the only remedy is to bring in the foreing sector. I am aware that the Minister has been saying and so has the Government that private Indian insurance companies would be treated on a par with foreign insurance companies. But I am sure and the House would also agree with me that it is really some kind of comouflage. It is devious way of inviting foreign insurance companies and not the private Indian insurance companies. I am for bringing in an element of competitiveness. But then that competitiveness can start among private Indian insurance companies. Why is that not being done? Instead of doing that, you are handing over the entire service industry to foreign insurance companies. I would like to mention, Madam Vice-Chairperson, that all this talk started during the Uruguay Round and in the subsequent days. The Malhotra Committee was set up. It is not necessary for one to go into the details of the recommendations of the Malhotra Committee. But it would have been neat and proper if the Malhotra Committee recommendations, because of their far-reaching implications, had been discussed in this House and the Government could have come with a clearcut approach that they wanted to adopt. Madam, it is not a question of the Malhotra Committee report only. The Government itself has already permitted five liaison offices of the foreign insurance companies to be set up in India. They are something of an advance guard. And they are the persons who will take over, who will foreclose even if the Indian companies come up later. So, this is only a devious game, a clever game, to bring in the foreign companies. They should support the foeign institutional investor; foreign investments and so on and an intellecutal climate accordingly should be created. Even a climate as such should be build in this country that the entire economic salvation of the country would lie in the hands of this group of people.

As Mr. Das Gupta has already mentioned, the insurance sector elswhere is not all that lily-white; it is not all that pure. Their deeds, misdeeds, are fairly well known and very often appear in the economic magazines and newspapers.

Madam Vice-Chairperson, I have to mention that the entry of multinationals in this country is already doing a fair amount of damage through takeovers of all kinds. Even if we are able to start some Indian Insurance companies, I think, with the kind of resources which these foreign companies will have, with the advantages they will have, they will be able to take them over in no time. Particularly, we have to keep in view that after all...

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Chaturvedi, I am sorry to interrupt you. Your party has 28 minutes. There are three speakers. I would like to know how long you will take. I do not mind if you take all the time of your party. That is up to you.

SHRI TRILOKI NATH CHATURVEDI: No, Madam. I will finish soon.

A service industry with a fair amount of expertise has been built up. We do not want this to be placed only at the disposal of the foreigners. We want it to serve national interests. After all, it is not that kind of a priority area where a lot of sophisticated technology is called for. It is brain power that is called for much more; it is the motivation of workers that is called for much more. Therefore, I think this is an area where we should in no case invite foreign companies.

There is another aspect I would like to mention. One worrying feature really is that even smaller countries like Thailand have laid down a large number of conditions. But I have a doubt. Even if the Bill or whatever else they have in mind is brought in by the Government, as Mr. Das Gupta rightly suggested—with my experience in the Joint Parliamentary Committee, I am also clear the Government wavers, shakes, quakes when there is the question of control or punishment of any foreign company or foreign unit. Only nominal fines were imposed on those foreign banks who initiated, who motivated, the entire securities scam; they almost went scot-free. Even their officers acknowledge that this kind

of misdemeanours on their part would not have been tolerated in their countries, be it the United Kingdom or the United States of America. Here, they got away with that. That is an apprehension which we generally harbour. I have every doubt that even the smaller countries will have much more stringent conditions. But we are just pursuing regulation authority it for name sake. We may have some stringent conditions. But I am doubtful whether we are going to enforce them in respect of foreign investors when their misdoings come to the notice of the people.

Madam Vice-Chairman, I would also like to mention that it is the transfer of large funds by way of profit, repartiation. This is going to invigorate the economy elsewhere and not in this country. They want to come to this country because of the high profit potential. We have been speaking about the potential of this country, the industrial growth, the middle class, and so on and so forth. They want to come to this country in order to exploit that potential. I am afraid, the Government will just surrender to the clourt of these financial conglomerates. Madam, as you are aware a large number of reforms have been suggested by the Estimates Committee, the Public Accounts Committee and the Administrative Reforms Commission, from time to time, so far as the Life Insurance Corporation and the General Insurance Corporation are concerned. But hardly any action was taken by the Government. That is why it is very necessary for us to be very sure as to what is in our interest. All this is happening because the Finance Minister made a statement commiting the country in the United States. A pressure was exerted on us last year when Mr. Brown, the US Commerce Secretary came here. So, a promise was given to him. Then again recently before the Indo-US Joint Business Council, this kind of a pressure has been built up. That is why this is being done. Madam, I would also like to mention that we cannot forget the work that has been done by the insurance sector that has been built in our country. Out of almost Rs. 68,000 crores that they earned, about Rs. 65,000 crores were either invested in the Indian industries for industrial development or were given to the Government as dividend. So, they have not done as bad as was sometimes made out to be. Why should we not further motivate them and ensue that defects that might have arisen, should be rectified?

Madam Vice-Chairperson, I resume my seat by saying that somehow, pressure is building because of certain reasons, because of the commitment which the Finance Minister and his Ministry have made to the foreign powers, particularly, the United States. Madam, there are two types of policy holders in the country. One is the affluent class, who take advantage, more so, of various kinds, by taking the policies. The other is the poor. Now, it is the poor, the scond category, which will be completely driven out. They will not be attended to by the new insurance companies. The small insurers will hardly receive the treatment that they deserve. On the other hand, they will be treated in the same way as the small investors in the foreign banks are being treated today. That is why I resume my seat by saying that while we have no ideological hang over so far as nationalisation is concerned, but we have to keep in view the national interests and we have also to keep in view that all the expertise that has been developed and all the infrastructure that has been created over the years, in this country, including the interest of the labour and the workers, should not be sacrificed at the behest of certain powers, or because of the predilections of this Government. Thank you very much.

SHRI JOHN F. FERNANDES (Goa): Madam, our economy is in a crucial state of change. They are trying to liberalise and globalise the economy. It will be appropriate for any economy to expand, and not to have a captive monopoly of the State. Madam, we have seen what has happened to the so-called public sector in our country, and they could not survive the way basically the sick units do, and we can save them only by liberalising them. The best example we can give is the aviation sector. We have seen how the Air Corporation Act gave a monopoly to Indian Airlines and Air India, and only in 1993, when we amended the Corporation Act and removed Section 18, which gave a monopoly to the aviation sector, there was a sea change in our

country. We have seen that. We have Air India, and they are competing with international megas. We cannot say that those international megas should not be there, Air India alone should be allowed to fly over the international sky. It will not be appropriate. Then we have the Indian Airlines, Madam. We have seen how they have competed with others and how their services in the country have improved because there was a competition thrown open by the private sector and I think that this will be the best example by which we can also improve the insurance sector in our country. Madam, when insurance was nationalised way back in 1956, we know there were 245 life insurance companies and we did have foreign insurance in that, Madam. We have merged them into LIC under the Life Insurance Act, 1956, and later on, in 1973, 107 non-life insurance companies were nationalised and we had the General Insurance Company with its four subsidiaries. Then GIC also is playing a major role in 32 countries, directly or through its associates. I do not know what the irritant is for my Leftist colleagues. I think, that is the best example of 'unity in diversity'. Mr. Gurudas Das Gupta who is part of this Government, initiated a debate and I think when he speaks, he speaks from a Leftist mind. When he speaks, he has to see the workers' interests also. I don't say that he is not interested in the national interests, but I think unless we make the working of our economy vibrant, I don't think we will be able to compete with any international sector. Madam, we are a signatory to the WTO Agreeent. In case we want to keep the insurance sector to ourselves, are we able to do that? What will heppen in 2005? We are a signatory to it; we have to go by that. I do not know what is going to happen. I am not strongly advocating that the foreign multinational megas should come and that they should invade us. I am not for that, Madam. Nor have I a suspician that we will be invaded by the CIA and the KGBs, but the question is that the world is shrinking, the whole world is shrinking; we are going into a global economy, and when we go into a global economy, how can we be very choosy about it. We cannot select, pick and choose. So, we have to go and we have to flow with the current. So, I think, it will be appropriate for the economy to be vibrant. We have to adopt and we have to see that State monopoly is not there because, if you go through the Malhotra Committee Report—he is ex-Governor of RBI—you will find that the Committee has made a good recommendation and the main basis of that recommendation, if I may say, is that lack of competition has engendered complacency in the insurance sector which is reflected, among other things, in insufficient responsiveness to the customaries, high cost, instability of marketing network, excessive lactation of life insurance policies—because we have four subsidiaries-overstaffing, growh of-'overstaffing', I think that is what we want to support in the insurance sector because they have to just create jobs, keep the unions together; I don't think that will be a progressive step towards national development. And there are many more things, but I don't want to take the time of the hon. House. But I would say that if we close our doors, if we put a Berlin wall around India, it will not lead us anywhere. Why did we sign the WTO? I will give some best examples. We have done it in the civil aviation sector. We have done it in the banking sector. We have done it in the telecom sector also. We are seeing a sea-change in this country. I feel that the Reforms Committee appointed by the Government in 1993 has rightly recommended that the insurance sector should also be liberalised. It should be opened up. There should not be any State monopoly which is killing the industry.

Madam, I had been to Chile with His Excellency the Presiden tof India. That country was a Communist country prior to 1974, before the coup of General Allande. We saw a sea-change there in development. (*Interruptions*)... I am talking about the industry. (*Interruptions*)... I am not talking about the history. (*Interruptions*)... I am not supporting anyone. I am talking about the economic policy which they have. They have opened up their economy. They have developed like anything. The insurance sector is totally in the private sector.

DR. BIPLAB DASGUPTA (West Bengal): Would you yield for a minute?

SHRI JOHN F. FERNANDES: Yes, please.

DR. DIPLAB DASGUPTA: I will request our friend that before he speaks about Chile he should study their economy. After the murder of Allande, when General Pinochet took over, the economy of the country was taken over by what is known as Chicago Boys. The Chicago Boys who tried to implement the structure ruined the economy. They ruined the economy. (*Interruptions*)...

SHRI JOHN F. FERNANDES: Madam, I don't know which boys they are. I don't know whether they are from Chicago or whether they are from Harlem. (*Interruptions*)...

SHRI SURINDER KUMAR SINGLA: Do you mean to say that the boys from Presidency College in Calcutta are absolutely good? (*Interruptions*)...

DR. BIPLAB DASGUPTA: No, no. (*Interruptions*)...

SHRI SURINDER KUMAR SINGLA: Then what are you trying to say? (*Interruptions*)...

SHRI JOHN F. FERNANDES: Madam, I am not talking about the boys. I am talking about the economy. (*Interruptions*)...

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Biplab Dasgupta, kindly take your seat. (*Interruptions*)...

SHRI JOHN F. FERNANDES: Madam, I am not referring to Chicago Boys or Harlem Boys. What I am talking about is the economy. There was a sea-change in the economy. This is not my perception. This is the perception of the people there, the residents there. They feel that they were suppressed by the so-called leftist regime. I mean no harm to my leftist friends here. Whenever we want to have a change, there will be some resistance. There will be resistance from vested interests. That is what we are seeing here.

Madam, as far as this sector is concerned, there is one bad thing. The Government has already initiated the setting up of an Insurance Regulatory Authority. No sanction is taken from the Parliament. (*Interruptions*)... They have already started it. It was not proper for the Government to do that. The Government should have come before the Parliament. (*Interruptions*)... That is what my leftists friends want to pre-empt. It would have been proper for the Government or the Finance Minister to come with a full-fledged legislation before this House. I don't think the whole country will oppose it. The country will not oppose it. We should go ahead with the liberalisation policy. The West Bengal Government has also done it. I think they are not opposing it. What I feel is that here we are playing to the gallery. We have to see the interests of our trade unions. We have to see to our votes. In the larger interest of our country it would be appropriate for us to see that State monopoly is not there. As I rightly mentioned earlier, we have seen what has happened in the civil aviation sector and how we have improved. Thank you.

SHRI GURUDAS DAS GUPTA: Madam, can I ask a question?

SHRI JOHN F. FERNANDES: Yes. Why not?

SHRI GURUDAS DAS GUPTA: Can I laugh? Is it unparliamentary?

THE VICE-CHAIRMAN: (SHRIMATI KAMLA SINHA): No question.

Kindly take your seat. Mr Som Pal.

SHRI SOM PAL: Thank you, Madam Chairperson. Mr. Gurudas Das Gupta has raised a very important matter by way of a Short Duration Discussion in this House. Broadly I find myself in agreement with his perceptions.

He has rightly tried to find out from the Government the basic objectives of inviting foreign insurance companies to enter into this business in our country. He has asked whether it is to attract investment in this sector. Maybe, it is so. But I am constrained to say that no investment is required for running the insurance business. The whole premise, the whole system of insurance runs on the premiums subscribed by the people or companies or business houses to get insured. It is build up on the premiums given by the insured persons or entities. The whole system runs on the premiums given by the insured entities. In my view, no money is required to run this insurance business in India. Therefore, the foreign investors, if they are supposed to bring in investment, are not needed for this purpose. Secondly, there is some kind

of an initial confidence which is required on the part of a company which is entering into the insurance business or which is already there. That kind of environment of confidence has already been provided by our own insurance sector. We don't lack in that respect. The second objective would be, enhance the effiiency of the insurance sector in terms of customer service, in matters of settlement of claims and thirdly, which is very important, in matters of lowering the rates of premium with the increase in business. Our recent experiment and experience when the LIC and the GIC have sought to reduce the premium rates, has proved that once the business is built up, any company, whether it is private sector or public sector, is capable of reducing the rates. We have recently done it and there is a talk of further reducing the rate. I wish they did so.

So far as the efficiency in terms of rendering good customer service is concerned, we have recently come across certain experiments being conducted by the banking sector in Bombay. Some banks have opened certain branches which are as efficient as the foreign banks operating in India, rather in some matters they are more efficient than the foreign banks. If we have a political will, if we have a managerial capability, we can bring in such efficiency without the foreigners coming here and teaching us in this regard. Such an effort which has been started by the banking sector must be taken note of by the insurance sector as well, and such successful experiments must be replicated. This is the answer. The most inefficient system.....

DR. MANMOHAN SINGH (Assam): That is what the Common Minimum Programme says.

SHRI SOM PAL: But I am supporting the Minimum Programme.

SHRI TRILOKI NATH CHATURVEDI: But minus its aberrations.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Madam, I am deeply relieved that a Member of the ruling party is supporting the Common Minimum Programme.

SHRI GURUDAS DAS GUPTA: I find it very interesting that Dr. Manmohan Singh now stands up and gives his support to the Common Minimum Programme.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): They are supporting it from outside.

SHRI SOM PAL: What I am trying to derive is that the answer lies in increasing the efficiency and by making the employees of the insurance sector aware of the danger that if they do not improve efficiency they are in for trouble. An inefficient system cannot sustain over a period of time. This must be understood by Shri Gurudas Das Gupta also. Unless he exhorts his labour friends and his unions to cooperate with the Government in increasing the efficiency, we will be left with no option but to invite some entities other than the present ones who are manning the insurance sector.

SHRI GURUDAS DAS GUPTA: The unions have expressed their desire...(*Interruptions*)...

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): No, please.

SHRI SOM PAL: I am pleased with Mr. Gurudas Das Gupta's statement. He said that unions have come out with such a suggestion. I wish they had implemented it. Suggestions are not enough. We have seen that merely chanting mantras is a futile exercise. They have to be translated into action. I wish you would do that. You can take credit for it as a participant in the Government. I also seek support from the good offices of the supporting party. I actually requested Dr. Manmohan Singh to give his inputs. But I don't know, why he does not want to say anything. He should also speak a few words on the subject.

SHRI TRILOKI NATH CHATURVEDI: He is so often misunderstood by the Prime Minister.

DR. MANMOHAN SINGH: We support the Common Minimum Programme on the subject of insurance.

SHRI TRILOKI NATH CHATURVEDI: I hope you are not again misunderstood by the Prime Minister.

SHRI SOM PAL: On the efficiency front, it is very desirable and laudable to bring in technology, automation and computerisation.

I know of Indian companies like the TATA Consultancy Services and other computer companies which develop software for big insurance companies abroad. They have developed software for the Sunlight Insurance Company of Britain. They develop the software here or send their people to those countries to develop software for them. There is a great demand for this in the UK and the USA. We have that kind of skill and trained people available here. If we can do it for them, why can't we do it for our own insurance companies? I cannot understand this. Lastly, I would again caution Shri Gurudas Das Gupta. It depends on unions, workers and leaders like him who can exhort people and translate it into action. We have to bring in efficiency; otherwise, they will be in trouble, Nobody can save them. Business requires insurance to ensure safety. There is no choice. It has become a compulsion. Efficiency must be brought in. Madam, within the parameters of our Common Minimum Programme, I fully endorse it. The apprehension expressed by Shri Gurudas Das Gupta that funds will be misused by foreign bankers has to be taken care. Foreign bankers have been found delinquent. They have been misusing funds so far as the share market is concerned. Some Rs. 24,000 or Rs. 25,000 crores that they had invested on the margin was abruptly withdrawn which led to the current debacle in the share market. Such things cannot be ruled out. I would request the hon. Finance Minister to take suitable safeguards before inviting foreign investors to the country.

SHRI SURINDER KUMAR SINGLA: Thank you, Madam. Actually I am not amazed with what my colleague Mr. Gurudas Das Gupta said. He has perfected the art of double talk. Historically too, their party has always adopted a double talk approach. They talk something in the committee and talk something else in public.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Which subject are you talking about? Come to the subject.

DR. BIPLAB DASGUPTA: " Gurudasji" is the subject.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Are you double-talking?

SHRI SURINDER KUMAR SINGLA: Actually, Mr. Gurudas Das Gupta and a few others represent the trade unions' point of view on the insurance industry. I am not opposed to that view. I am only saying that that is not the only view which should really be considered in terms of deciding the future of the insurance industry.

I am saying with the utmost respect that among the financial institutions the insurance industry is one of the biggest financiers of the infrastructure all over the world. As we find today, infrastructure investment are not coming. It is good that insurance companies in this country for the last 40 years did invest something like Rs. 70,000 cores in the Government securities, State securities and made investments in the infrastructure. The point I want to make is, is it enought? In the last 40 years, Rs. 70,000 crores is the total premium collected.

Is that enough, when you take into account the size of the population, the size of the urban income and the expending economy?

In 1956, the purpose of the nationalising the insurance industry was this. The first point was to spread life insurance much more widely and in particular to the rural area and to the socially and economical backward classes with a view to reaching insurable persons in the country and providing at a reasonable cost adequate financial coverage against death. It is a major objective. In the last 40 years, LIC and other general insurance have not really covered the way they were really expected to. I am quote the latest figures, Madam, as to who are the poeple who are being insured? In the Standing Committee on Finance, a question was raised by me as to who are the people who really went for insurance.

The LIC is not developing a business. It is the tax assesses themselves who go and ask for more policies. I collected the figures from 1989 to 1994, for five years. For five years, if I can quote the figures to you, Madam, the first insurance in 1989-90 was 55.57 lakhs and the sum assured was Rs. 16,480 crores and the subsequent insurance, *i.e.* the additional policies was 18,06,830. Every year 40 per cent of the business come from those who are already insured. If I can quote the figures of

1990, 1991 and 1992, the sum insured was Rs. 20,000 crores in 1990 but Rs. 8,086 crores were from the same people. So the people who are really getting insured are those who are income-tax assesses. They want to save on the taxes. And it is not a new vast potential area which the original Act of LIC thought it was going to cover. The second objective was, to mixiimise mobilisation of people's savings by making insurance-linked savings adequately attractive. Now, again, this objective of LIC was not achieved. If you see in terms of services to customers, in terms of premium pricess or in terms of product availability from the insurance sector, in these three things if one could really assess, then one could find a lot of areas which are not covered by the insurance industry which is State-controlledd. Now, I am a firm believer, Madam, that the Indian State and its institutions, called the public sector undertakings, just cannot perform entrepreneurial role at all.

As my friend, Mr. Fernandes, has rightly said, it is the private sector, it is the private entrepreneurial class which is capable of mobilising the funds. You don't find the Indian State and its various monopolistic agencies performing that role. These are highly corrupt...*(Interruptions)*... Don't interrupt me. Kindly listen to me as you have heard others.

My point is that the Indian State and its various agencies in the public sector are just incapable of performing the interpreneurial role. They cannot do what is expected of them. In fact, there are a number of people, particularly the Leftists, who often talk about corruptions. It is the public sector which generates corruptions more than the private sector. For example, you sell and I buy and there is no corruptions.

SHRI JIBON ROY (West Bengal): Who makes the public sector corrupt?

SHRI SURINDER KUMAR SINGLA: Please don't interrupt me.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): You please address the Chair. Don't take notice of what they are saying.

SHRI SURINDER KUMAR SINGLA: They are provoking me, Madam.

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): Why are you being provoked? Don't take notice of what they are saying. They are speaking without the Chair's permission. That is not going on record.

SHRI SURINDER KUMAR SINGLA: I am not saying anything deliberately. I am not provoking anybody. The point I am making is that they represent the trade union point of view. The fact is that a number of trade union people collect funds. Who are using those funds? It is their patrons, their presidents, their general secretaries.

SHRI JIBON ROY: Everybody knows where the funds are coming from and going to.

SHRI R.K. KUMAR (Tamil Nadu): The privilege of interrupting others is only that of Mr. Singla's. So, don't interrupt him.

SHRI SURINDER KUMAR SINGLA: Another point I want to mention is that Mr. Gurudas Das Gupta and some others are permanently dubbing the Indians as incapable, that Indians are inherently incapable of competing. Most frightening things are said here, that somebody would come, some multinational would come here and gobble away our wealth. It is just stupid. One cannot just say that the Indians are inherently incapable and that they cannot compete with others and protect the national interests. They say that somebody would come here and loot you and that you cannot protect yourself. This is the attitude of the people who oppose liberalisation and it is most regrettable... *(Interruptions)* ... Madam Vice-Chairman, please tell them not to interrupt me like this.

The public sector undertakings are getting a lot of cutbacks and they are getting them through you only. I have just now quoted the figures for the last five years which showed that the State monopolies such as the LIC, GIC, cannot really secure a substantial increase in the new business in spite of our country having 900 million people. I have given you the figures.

My next point if from the customers' angle. The Indian premium rates are higher than anywhere else in the world. It is because the business is monopolised. The Indian people don't have any choice.

SHRI JIBON ROY: You address the issue.

SHRI SURINDER KUMAR SINGLA: I am addressing the issue. *(Interruptions)*

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): You please keep quite. Let him continue. *(Interruptions)*

SHRI SURINDER KUMAR SINGLA: Madam, you first control them and then I will speak.

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): They are keeping quiet like good boys. You continue. *(Interruptions)* Now, please.

SHRI SURINDER KUMAR SINGLA: Madam, I must tell them that I come from Punjab where 99% of the industry is in private hands and they are generating wealth. And I know what they are doing in West Bengal. They will keep West Bengal permanently poor.

SHRI NILOTPAL BASU (West Bengal): It is not pertinent to the issue.

SHRI SURINDER KUMAR SINGLA: It is pertinent because you are mishandling it here. You don't create problems here. You don't want to hear me. If you don't want to hear me, you go out. I mean, this is not the way!

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): Kindly sit down. Don't do it. *(Interruptions)* Please. Mr. Singla, kindly come to the issue.

SHRI SURINDER KUMAR SINGLA: So, Madam, I was saying that the insurance business has not ...

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): And you don't look at them. Okay? You look at the Chair.

SHRI SURINDER KUMAR SINGLA: Madam, I was saying that the state monopoly of insurance business, the LIC, etc. has not worked properly in spreading the insurance business amongst the common people. The kinds of lapses that take place in insurance policies are enormous, something like 34%. Who is going to control them? They do not function. The agents do not function. the Development Officers do not function. And this is a tragedy that you have to have a competition from the state monopoly. And it doesn't end here. The settlement of claims takes ridiculously long time. There is no prompt settlement of claims. Madam, the people don't have a choice. If they want to have an insurance policy, they have to go to the LIC. In general insurance, there are only four companies. So, they have to face this kind of a situation in insurance business. As shareholdes in those companies, they look for better returns. But the insurance companies pay them the lowest returns.

Madam, I would like to mention that this Malhotra Committee had two former Chairman of the LIC and the GIC-- Mr. R. Narayanan and Mr. R. Ramakrishnan. They had worked at top positions in the insurance industry for years. They had conducted a study amongst all sorts of people, the constomers, the poeple dealing with insurance business and they have come with a lot of recommendations. I am going to mention only a few of them.

Madam, they have said that the insurance companies have done a commendable job, but there are large volumes of business being handled by them. The choice available to the insuring public is inadequate in terms of services, in terms of product and in terms of price. Introduction of competition should result in better customer service and help to improve the variety and price of insurance products. So, these are the observations and reasons for recommending that insurance industry must be opened up to private sector. The Committee has also mentioned, that employees' unions and representatives of agents—both are employees, they want a permanent job, whether they do a job or they don't do a job—these are the groups which have expressed opposition to the idea of introducing competition. There is, however, a strong view among individuals, as indicated by the survey of MARG, that private sector should be allowed to enter insurance business and life insurance. Individual policyholders covered by the MARG survey were equally divided on the issue. So, my view is that if you see their observations, you will find that they are supporting that in order give better service, in order to mobilise the existing insurance market in the country, you need to open-up for private sector. But, two friends of mine here have expressed some apprehensions about it. Their

apprehension is about excessive competition. Madam, I am doubtful whether excessive competition would stay on when you have big companies and when you have LIC about which the Government has taken a stand that it is not going to de-nationalise it. So the problem of mushrooming of these companies would be taken care of. It is not possible to have execessive competition by imposing high cost of insurance. The simple reason is the existence of public sector companies in the market itself would ensure that excessive competitive is not really there.

They also expressed their apprehension by saying that the private sector companies would like to plunder funds collected by insurance companies. Well, this could be their apprehension, but it is not possible for them to do it. For that purpose, you could have certain regulatory authorities. The hon. Minister of Finance has been assuring us that the Government is going to bring forward the Insurance Regulatory Authority Bill in Parliament. So, these apprehensions could be taken care of by it. I think regulation of insurance industry must be strengthened. The Committee has already made its recommendations that there would be need for a regulatory authority to be established before the private players are permitted in the insurance industry. So, I don't think that the private companies along with foreign companies can pose any danger to the customer and to the investment which they have collected.

Madam, as was rightly pointed out by Mr. Fernandes, if we are going to have globalisation of Indian economy, then some kind of give-and-take has to take place. Likewise, if we are going to open our insurance industry to foreign companies, we are also looking for certain other favours from other economies. So, it is not an issue whether insurance companies would bring capital or technology. At least, neither they have to bring any technology nor any funds. But, in a simple way, in a situation of give and-take, the economy can grow. They are experts in some fields. Certainly, they should be experts in terms of mobilising India's mass savings which has not happened so far. In the last 40 years, only something like Rs. 75,000 crores seem to have been collected. So I would strongly support the Government's point of view that this industry should be opened up to foreign companies as well as to Indian companies.

The apprehension which exists largely should be addressed by the Insurance Regulatory Authority. Even a leftist Member accepted that there are irregularities, that there is slackness. He offered some document like a memorandum of understanding between the trade unions and the management. You do not require a memorandum of understanding to do that which you are supposed to do. You do not require a memorandum of understanding to work for eight hours which you are supposed to do. In the last forty years ...*(Interruptions)*...

SHRI TRILOKI NATH CHATURVEDI: They are to your right and not left!

SHRI DIPANKAR MUKHERJEE (West Bengal): He is addressing his workers!

SHRI SURINDER KUMAR SINGLA: Shri Som Pal has rightly said that people in this country want a total privatisation. They look forward for a better service, a quality service, a cheaper service. You adopt a model which we have been adopting for the last forty years if you want to deny Indians a cheaper and better quality service. It is not the time to have it. All over the world things are changing and let it change in India also.

The whole trouble with a certain group of people is that they hang-over for an ideology and they would really derail the economic process which has great promises of building and rebuilding the great India where poverty would see an end and where corruptions would see an end. The more you adopt economic reforms the quicker you would be ending corruption. I fully support the Government's point of view that the insurance industry needs to be opened up for private sector, both foreign as well as Indian. My only query to the hon. Finance Minister is: Is it a fact that one of our Members has been quoting the Prime Minister for having assured him that there would not be any Insurance Regulatory Authority Bill coming before the House? Will the Finance Minister reply on behalf of the Prime Minister?

Secondly, an hon. Members has been spreading rumours quoting a Congress Member having said that the Congress is supporting. Pressmen met me outside and asked whether the Congress party is supporting this. This kind of false rumours would not serve any purpose. It also does not serve the purpose of the people of this country.

SHRI GURUDAS DAS GUPTA: What a joke! Sombody speaking for the Congress, somebody speaking for the Prime Minister ... Who is that somebody? Let the hon. Members come to the House.

SHRI SURINDER KUMAR SINGLA: Do you want me to name him? It is a fact.

SHRI ASHOK MITRA (West Bengal): Madam, everybody is quoting from the report of the Committee on Reforms in the Insurance Sector. It is very interesting. This report has 150 pages. And out of this 150 pages, exactly two and a half pages are devoted on the theme of liberalisation of the insurance sector and the rest of the Committee's report is a very laudable, painstaking appraisal and review of the very substantial things which have been done in our country by the LIC and the GIC.

Page after page of this report consists of tributes to the Life Insurance Corporation and the General Insurance Corporation that they have done wonderful things. In a way, I should add that somebody made a remark that after the Indian Railways, it is, perhaps, the Life Insurance Corporation which has integrated this nation much more than anybody else. You go to the remotest part of the country, you come across the symbol of the lamp of Life Insurance Corporation. They have penetrated into the countryside. They have spread the message of insurance. Now, nothing is perfect. This Report says that there are many areas where things can be improved. Certainly, we are, in *per capita* terms, from top to bottom, the 14th Poorest nation out of 189 nations of the world. We are poor, we are under-developed. How much efficiency do you expect from insurance sector? Will they be more efficient than our Minister; will they be more officient than our civil servants? So let us have some sense of proporation. Perhap they have done a laudable work. But, there are also gaps here and there which ought to be fulfilled. This Committee has made various suggestions with regard to Life Insurance Corporation that this can be restructured and that agency arrangements can be improved upon. This Committee has also given suggestions with regard to the customer-service, etc., etc. About General Insurance, it has suggested a major restructuring. So, all these things are there. This Report says, that you proceed with carrying out these reforms. It also says that there shoulld be a Controller of Insurance and the link, the nexus, between the Life Insurance Corporation and the General Insurance Corporation should be improved upon. Then give more power to the Controller of Insurance. So, their views about this system have come out. But, this Report would not have been commissioned unless the Government had already committed to the foreigners that they would open up the banking sector, etc. So, after having prepared the basic structure of this Report, we have to tag in what is known as 'command performance' in trade. Yes, we have to liberalise the economy. It is very interesting that one of the arguments for this is that monopolies are bad things. Very good, monopolies are bad things. That was a general, abstract, statement. ...*(Interruptions)*... Monopolies are bad things.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Singla, please do not interrupt. ...*(Interruptions)*... Please keep quiet. ...*(Interruptions)*... Nothing is going on record. ...*(Interruptions)*... Please sit down. ...*(Interruptions)*...

SHRI ASHOK MITRA: This Report was neutral, as far as opening up of the insurance sector is concerned. But it was under pressure. It was under pressure because the Government wanted that there should be a few paragraphs on 'opening up'. This is one point.

The second thing is that we carried out a public survey, a public investigation through an advertising agency and what we have found is that the corporate response wanted that General Insurance should be opened up for private business. If my friend, Mr. Chidambaram, the Finance Minister, were to ask the FICCI or the CII whether the Income-tax Department or the Enforcement Directorate should be handed over to them, they would say:

'yes'. If you ask them 'should I hand it over to you?', naturally, with a gleam in their eyes, they would say 'yes'; because they would get all the business. But as far as the reforms in the insurance sector are concerned, the result of the survey shows that the response was quite mixed. Some said 'yes; it should be opened up'. Some other said 'no; it should not be opened up; but let there be some improvements'.

Now, we have built up such a massive structure in our insurance industry. Some of us do remember the chaos that prevailed in the country before 1956. There were private racketeers making money in the name of insurance. Some of them were foreigners who were squeezing our ordinary householders. The Life Insurance Corporation of India had made a complete transformation of the situation.

What do we do? What is the reason for your wanting to go ahead and open up this secotor? With all this, if you do not go by what this report says, if you say 'all right; foreget about the report; the reprot is no longer valid', what about the Common Minimum Programme? What does the Common Minimum Programme say? I am quoting what the Common Minimum Programe has said. It has said: 'The reforms in the insurance sector may be taken up, in the light of the experience gained from the reforms in the banking sector'. This is all it says.

Let us see as to what is the record of the reforms in the banking sector. Scam, Irregularities in bank after bank after bank. Thieving. All kinds of thieves running amuck.

SHRI SURINDER KUMAR SINGLA: What about the public sector banks?

SHRI ASHOK MITRA: What was the profit during 1995-96? With all the window-dressing, the rate of profit was negative.

Why do I need to go over the experience of the reforms in the banking sector? I can as well go over the five years' experience since the economic reforms as such were ushered in the country. I wish the former Finance Minister stayed here. Have we gained anything?

I would point out as to what we have gained as a result of the economic reforms! Our agricultural growth is stagnant. Capital formation in agriculture is negative. Capital formation in industry has increased only slightly. Even this slight increase was not on account of any furious influx of foreign investors.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Ashok Mitra, the time allotted to your party is ten minutes. You have already exhausted that. Therefore, kindly conclude.

SHRI ASHOK MITRA: If you want me to sit down, I will sit down.

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): I don't say that you sit down. I am only asking you to conclude.

SHRI ASHOK MITRA: I will conclude. I am in the process of concluding.

As I mentioned, what have we gained as a result of the economic reforms? We have only been led to ruin by the economic reforms. We should have the courage. Some of us should have the courage to own up. In regard to the economic reforms, off and on, we are told that the lot of the poor has improved. It was all because of the fudging. But the new data that has emerged from the Planning Commission shows that the incidence of poverty has not declined.

In conclusion, I would say that it is not a matter for debate. It is a matter for reflection; reflection as to in which direction we should take our economy. We cannot do what the foreigners ask us to do. Of course, they would like the insurance sector to be opened up, just as they liked the banking sector to be opened up. It is only the foreign banks which have gained as a result of the opening up of the banking sector. They do not have to be financing the private sector. They do not have to go to the villages. They can take their remittances out. That is all. Perhaps, this is very much what they are hoping to do in the insurance sector also.

I have something more in my mind. It is that, in answer to an Unstarred Question, the Finance Minister said that the Government proposed to introduce in the current Session of Parliament a Bill to give statutory status to the Insurance Regulatory Authority. What does it mean?

Is there a non-statutory Insurance Regulatory Authority already in place? Under whose authority? The Acts of 1956 and 1971-72 do not allow scope of an Insurance Regulatory Authority. There is a Controller of Insurance. Now, how does this animal come in? This animal comes in because Parliament is being taken for granted. Now, they discussed this matter earlier, that without bothering about initiating the legislative process the Ministry of Finance has been going about promising the opening of the public sector to all kinds of foreigners. This is something which, I would say, is not done in a parliamentary system. You should wait and you should have the decency and the patience to come to Parliament, debate it out and take Parliament's judgement in the matter. Have you the permision for this? Do you have it or not? So you are pre-empting Parliament, bypassing Parliament. That is what you are doing.

Since you are bypassing Parliament, I would tell the Finance Minister: Your case is not valid. This report does not build your case, nor your recourse to that particular sentence from the Common Minimum Programme nor the experience with the economic reforms, in general, over the past five years-which, I would say, led to the rack and ruin of our country. Therefore, I would say, why don't you just have a further process of discussions here? And if you say, "No, discussion is not necessary", that your prestige is involved and you have already made a commitment to the rest of the world, then I can assure you there is a good English expression that you can get this legislation passed "only over our dead bodies."

Thank you.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Shri Vedprakash Goyal--five minutes, please.

SHRI VEDPARAKASH P. GOYAL (Maharashtra): Madam Vice-Chairperson, it was in the early 50's when Prime Minister Jawaharlal Nehru, in his ideological socialistic commitment, led us to the commanding heights of public sector. In the same manner, he nationalised banks and insurance. In spite of the in-numerable hurdles put in the way of the private enterprise, Indian entrepreneurs, by their hard work, ingenuity and traditional acumen, overcame all the hurdles and developed a massive infrastructure of industrial development and set up a lot of industries all over the country. By 1991, in fact much before that, socialism had lost its sheen. In Russia it had fallen to pieces. Pepsi could be seen in Moscow and in East Berlin. China had opened up its doors to foreign capital, foreign know-how and foreign industrial joint ventures. They benefited from that. Today the Chinese economy is stronger than ours. Chinese per capita consumption of energy is twice that of India. But the 1990-91 liberalisation of Dr. Manmohan Singh, under the "able" leader-ship of Shri P.V. Narasimha Rao, led more to scams rather than to economic progress. We swung from one end of the pendulum to the other. It is in this climate that we are discussing privatisation of insurance. The last time when I spoke on this subject, I made a strong point which was lost in the din of too many speakers on the other side. I said that there was a strong case for privatisation but not for foreign domination of the insurance sector. A healthy competition between the nationalised companies, the LIC and the GIC and the private sector is what this country needs. Today we are in a field of competition. Industries have been opened up. Indian industries have realised within two or three years that they could not enter into competition against foreign giants at the present stage unless there was a level-playing field. Very early, within the first three years, the CII, the Bombay Club, the India Club etc. realised that if the field was left open, the Indian industry and the Indian economy would suffer.

It was in this context that I said that, and I want to repeat forecefully that competition in the insurance sector is welcome and that it must be opened up to private entrepreneurs with a strong regulatory system. The hon. Finance Minister says that a strong insurance regulatory system is being introduced simultaneously. The last time also I said that this should be done first, before the insurance sector was opened up. This regulatory body should be a statutory body, not working under the hold of one or the other Ministries. It should have specialists. It should have experts. If it is formed on the lines

of SEBI, it can make sure that the funds garnered by private companies do not go in a wrong direction and that they are used for national reconstruction, for infrastructure development and for industrial development and not squandered away by their own houses.

I want to repeat that the insurance sector, in my opinion, must be opened up with safeguards so that foreigners do not take control of it and that Indian entrepreneurs have a good play.

After all, with all its efforts, the LIC has reached only one per cent of the Indian population. There is a lot of field to be covered. I suggest that a lot of entrepreneurs, after their credentials are checked, which the IRA will do, should be encouraged to come to this field. We should encourage spirit of insurance. The spirit of insurance must grow.

With these words, I want to support this 50 per cent, and I strongly oppose the other 50 per cent which will invite foreign capital.

Thank you.

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Margabandu. You have three minutes.

SHRI R. MARGABANDU (Tamil Nadu): I will take only three minutes, and my friend will take another two minutes.

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): All right.

SHRI R. MARGABANDU: Madam Vice-Chairman, till 1972, the insurance field was in private hands. This field being in private hands, some difficulties were experienced, and it was nationalised in the year 1972, and we have been experiencing a well-organised functioning of the insurance comapnies like the Life Insurance Corporation, the General Insurance Corporation, the New India Assurance Company, the United India Insurance Company, the National Insurance Company and the Oriential Insurance Company.

Even the Malhotra Committee recommended increase of the capital for a life-insurance company from Rs. 4 crores to Rs. 200 crores and for a general insurance company from Rs. 40 crores to Rs. 200 crores. If the capital is increased, they can very well play their role for the benefit of the nation.

Madam, privatisation in this field was abolished in 1972 and nationalisation was introduced. What has now made this country or the Finance Minister to once again introduce privatisation in this industry and also to invite foreigners into this? Does the Government feel that the efficiency of our agencies is very low? Are we are not capable of increasing the efficiency of our people? Madam, these are days of nationalsiation. There is bank nationalisations' insurance sector nationalisation. Every field they have nationalised. Now, what is the necessity for them to go in for privatisation and also to go to foreign agencies?

Madam, insurance is a profitable field. If it is given to foreign nationals, they will dictate the premium and quote high premium which the common man, particularly in the rural areas, may not afford. It was reported in a newspaper of 19.11.1996 that the foreign players are expected to tap the rural market. Since with the high overhead cost, it may prove expensive to the LIC, foreign companies with their Indian partners can use unconventional methods. This is the impression that has been let in. If the Finance Minister was to adopt the policy of privatisation and invite foreign companies to take part in that, then there is a self-contradication in his statement as was reported in the newspapers on 19.11.1996. This is what the newspaper said:

> "Imminent privatisation of the industry was also clear from the Finance Minister, Mr. Chidambaram's recent statement after his meeting with trade union representatives in Mumbai. He declared that the LIC would not be privatised, but left open the issue of the entire industry. The Finance Minister's statement would keep the trade unions happy, while simultaneously allowing the Government to go ahead with privatisation."

This is the double standard taken by our Government. What is the reason for that? At the moment it may be very helpful and profitable in inviting foreign countries to invest their funds here, but in the days to come they will mobilise and recover all the resources from this nation.

Madam, I would like to say that for increasing the efficiency of the insurance sector, the Government should make insurance policy compulsory for all. As on date, it attracts only a few knowledgeable persons; it has not yet been extended to rural masses, unorganised masses and agricultural labourers.

With these few words, I oppose inviting foreign countries into this field and I demand that this sector should not be privatised.

SHRI K.R. MALKANI (Delhi): Madam, I am happy that we are discussing this matter. It is a very important subject and I am glad that you have given me this opportunity to express my views.

Madam, my friend, Mr. Gurudas Das Gupta has talked about labour interests. We endorse his views. Nothing should be done either in this industry or in any other industry which adversely affects the labour and employment opportunities. But, one thing surprises me. The Left is party to the Common Minimum Programme. Today they say they had explained to the Prime Minister that they will be free to comment on this. They agreed to the Common Minimum Programme in writing and they are expressing their dissent only verbally. Is it fair even to them? It is just like a man marrying in haste and repenting at leisure. This is what I think of my Left friends.

Madam,, there is a proposal to privatise insurance industry. The real intention is...*(Interruptions)*... Is he saying anything?

SHRI P. CHIDAMBARAM: Why is this gender bias? Why not a woman marrying a man in haste and then repenting at leisure. ..*(Interruptions)*...

SHRI TRILOKI NATH CHATURVEDI: That means, the Government is not brining forth the Bill.

SHRI K.R. MALKANI: Madam Chairperson, they talk of privatisation. The real intention is entirely different. The intention is to open the floodgates to foreign insurance companies. Privatisation is just an excuse. The Malhotra Committee said that until and unless a new insurance Company has a capital of Rs. 100 crores, it should not be allowed to function. The LIC had started with Rs. 5 crores. What I mean to say is that there is no intention on the part of the Government that private Indian insurance companies should come up. They say that they want to help the private Indian insurance companies by privatisation but that is just an excuse. They want to open the floodgates to the foreign insurance companies. I am wholly opposed to the entry of foreign insurance companies into India for very many reasons. Number one, they would not bring in any money. That don't need to bring in money. They would collect the money here. The would just bring in their computers to help their computer industry back home. They would take away tonnes of earnings from this country. The foreing banks which have been unwisely allowed to operate here are taking away something like Rs. 700 crores to Rs. 900 crores in foreign exchange every year; and the loot by foreign insurance companies would grow many times that figure.

Another reason is the failure of American insurance companies in their own country. When you talk of foreing insurance companies, let us be practical, let us be honest, let us be candid. Madam, I know what kind of Pressure they are bringing on all of us, on the Government of India also. The American insurance companies don't have a good record, apart from all other things. In America, in the last five years, 300 insurance companies have gone bankrupt. Mr. Finance Minister, for God's sake, don't let these Johnies come into India. We have allowed four foreing companies to open their offices here. What would they do by opening their offices here? These are thin ends of very thick Wedges. It is going to lead to a massive loot of Indian Resources.

But, I am inclined to agree with Indian privatisation of insurance, in a limited sense. Very good reasons we have this LIC&BIC monopoly. It has its disadvantages. The mortality tables which the LIC is using are very old. The premium rates are very high. This is really very unfair to the policy holders. This must end.

I have a suggestion. I would suggest that the LIC should be split into two organisation- one private, anothers and the other should be a public organisation. The policy holders should

be asked to choose whether they want to be with the private one or the public one. The staff can also be asked to choose whether they want to be with the private one or the public one because this would give us competition and efficiency and profitability and more employment. At the same time, this would save us from foreign exploitation.

I may also mention here that last year I made this suggestion in writing to the then hon. Finance Minister. He wrote to me saying, "I am having the matter looked into." This doesn't lead us anywhere. These are serious suggestions and they are supposed to be studied seriously. Mr. Chidambaram, for God's sake rise above your files, rise above your clutches of globalisation etc. and learn to resist this foreign pressure. That is all I have to say. Thank you very much.

SHRIMATI RENUKA CHOWDHURY (Andhra Pradesh): Madam Vice-Chairperson, I rise to participate in this debate with a mixed feelings, not the 50:50 type. On the one hand there is a natural inherent anxiety to protect my people, my workers, my recognised form of insurance which is here. There is an inherent reticence to break away from the selective norm.... the comforts that we have settled ourselves into. On the other side is raised the question of national pride. "I should be able to compete as 'first amongst equals'; we are a nation of roughly 900 million people; and we are one of the best". If we have to do this, then we have to disabuse ourselves of the different myths which we seem to have brought into the nationally recognised integrity. Why is it that we see competition as a threat to our integration? Why is it that we shy away from competition? Why is it that we do not introspect and see? For example, in the sports field, though we have 900 million people, there is not a single victorious sportsperson.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): No We have Vishwanathan Anand and Prakash Padukone. We do have world champions.

SHRIMATI RENUKE CHOWDHURY: In this we lag behind. I never said we never had a world champion. I have said that we do not bring about sportspersion. When we examine these factors, then again, there is this duality and conflict of thinking and action. We are concerned that foreign TV channels erode our centuries-old cultural ethos. We are terrified that the foreigners who come in are going to loot us because we are helpless! And yet, we go to sign the WTO. There is a tremendous irony about this. This kind of duality of thinking and handling of national issues and the lack of a common national perception result in the lack of thrust.

SHRI ASHOK MITRA: Half a second, please. This Parliament did not sign the WTO. The WTO was imposed on this Parliament.

SHRI P. CHIDAMBARAM: Parliament never sings the WTO, The Government signs.

SHRIMATI RENUKA CHOWDHURY: I am aware of that, Mr. Mitra. But the fact remains that when we are looked at as a nation from outside, nobody is going to see us as a divided house. We stand upright as Indians irrespective of the differences we have. If the majority of this says so, then we go along with it. At least that is the way I was brought up in. I am not supporting. Please grant me the patience of listening to what I see. When we have signed this and are going towards this WTO concept, then there has to be a unanimity, somewhere, of thinking. I do agree with most of my colleagues, my senior colleagues, in this House. I echo the reservation that they have. And I strongly recommend that this Government will introspect because they will be accountable and answerable to this nation should something like this fail.

Undoubtedly, we are not opening the flood-gates and asking people to come in and loot us. That is not going to be possible. So, what are we going to do about this? What are the charges that are being levelled and what are the insecurities that are being voiced? The insecurities that have been voiced are very valid. They are extremely valid. And it is judicious caution, jurisprudence, that has to be applied to thought and action before we go ahead with this. First, I do not like any of us to say that foreigners are coming to loot India. I do not think it is charitable for us to say so about any kind of investor or person who is examining India to come here. It is

uncharitable to make the assumption or accusation that they are thieves. Let us view them with the wariness that we have before we let outsiders into our own homes. If we are allowing outsiders into our home, we are doing so as per the rules of our house, and what keeps our home safe and sound. We don't let people in and give them keys to our lockers. So,obviously, the Government should reflect this kind of judicious caution, and these participants, who intend to come to our country, must be made to comprehend the rules and must be told to adhere to the ethos of the Indian insurance concept. This is not the exchange ground for them to come, romp, and take away our monies to their home. They are going to come as equal participants, where by Indian partners have level playing fields, and these level palying fields must be defined with clarity, so that there is no ambiguity for misuse or misinterpretation. The report of the Committee, which has been referred to by several hon. Members, contain recommendations to this effect. Of course, the necessary checks which are obviously apparent, but which can be obscured due to bureaucratic way of functioning and the governmental pasturing, have to be taken care of. We cannot allow grey areas to be exploited in a ruthless way. It would be just like self-inflicting injuries on India's insurance sector. Preventive and positive checks should be laid down in detail and priorties should be defined. The more vital thing is: "What is this Government going to do to help our sector in India? There has to be a self-correcting system. What is the Government going to do for the sector that is already there to help them gear up to the international standard in terms of technology, in terms of time-frame?

The Government must take steps to gear up this sector to bring it on par with the international standard. This should be done beforehand, before, you push your children, who are capable of taking part in the race, into the race. Competition is all very well. Of course, competition spurns you to become more perfect. It strives you to have the best system. We encourage competition for the obvious plus points of competitiveness. We don't put handicapped children into the same race as able-bodied children. So, my fear, my anxiety is that we should have a clarifity and absolute comprehension of the whole scheme. We must spell out as to what steps we are going to take and what are we going to do to help our sector in India, initially? How do we bring them up? How do we quantify and qualify them to be on the level palying fields before we bring competition home? The rest of the things, I am confident, will be taken care of. It is not because I am on this side of the House. But we have got to start looking up and looking hopefully. We cannot sit and worry that something is going to come about which we cannot compete. We will compete and we will emerge as the forerunner of the situation, we will emerge as the winner of the situation, provided we make a systematic and methodical effort. I will not repeat the various charges that have been made. I have also expressed by reservations in the way in which I wanted, and I am looking forward to the reply of the Finance Minister, and also to the assurance that will be given to this House, and hence the nation. I would request him to give the break up of how he is going to go about it. What kind of regulatory system are you going to have? What percentage of equity will you recommend? How will you prevent mushrooming of multiple, little, little firms which could take us for a ride. I don't want to end up with a negative note. I am telling you on behalf of our people that we are ready for it. We will get ready for it, provided you tell us how you go about it. Thank you.

श्री सतीश प्रधान (महाराष्ट्र): मैडम, मैं आपका आभारी हूं जो आपने मुझे इस विषय पर अपने विचार रखने का मौका दिया। मैं सिर्फ एक ही मुद्दा सदन के सामने आपके जरिए रखना चाहता हूं। आज हमारे यहां एल.आई.सी. और जनरल इश्योरेस में जिस तरह से कारोबार हो रहा है, इसके बारे में मै यह बताना चाहूंगा कि यदि विदेशी कंपनियां यहां आई तो यहां क्या आपत्तियां खड़ी होने वाली है। इतना ही विषय मैं बहुत संक्षेप में रखने की कोशिश कर रहा हूं।

महोदया, हमारे एल.आई.सी. में बोनस, प्रीमियम और अनकलेम्ड डिपाजिट्स ये सब फोरफिट किए जाते हैं और दूसरा विषय जो वाइलेशन आफ स्टेट्यूट्स है, इस विषय को भी मैं मंत्री जी और सदन के सामने रखना चाहता हूं।

मैडम, यह बोनस और प्रीमियम की जो बात है तो बोनस और प्रीमियम जो हम फोरफिट करते हैं तो अभी तक जो रिपोर्ट पब्लिश हुई है, इसके लिए उसकी फिगर्स जरा ध्यान में रखना आवश्यक है। तभी बाकी पिक्चर क्लियर हो सकती है। 1992-93 में 9,57,848 और 1988 से 93 तक 4,12,13,009 पालिसीज इश्यू हुई है, इनमें 1,36,600 ये एश्योर्ड थी। और जो बोनस फोरफिट हुआ वह 2386 करोड़ या जो फोरफिट हुआ। इस प्रकार ऐवरेट 24-48 परसेंट पालिसीज इसमें से लैप्स हुई। पालिसीज को लैप्स होने का परसन्टेज इतना बढ़ा है। मैं सदन के सामने यह भी रखना चाहता हूं कि जो आरफन पालिसीज हो जाती हैं, इसका कारण यह है कि बहुत सारे एजेंट अप्वाइंट किए जाते हैं और ये एजेंट किसी न किसी कारण से उस एजेंसी को कन्टिन्यु नहीं करते। 1992-93 में 5 लाख में से एक लाख बीस हजार ऐसे थे जिन्होंने अपना कारोबार इयर एन्ड तक छोड़ दिया। 1991-92 में 4 लाख 90 हजार एजेन्टों में से 9 लाख 3 हजार एजेन्टों ने अपना कारोबार छोड़ दिया था। इतने एजेन्टों के कारोबार छोड़ने के बाद ये सब पालिसीज आरफन हो गई क्योंकि उनको देखने के लिए, उनका ख्याल करने के लिए कोई ठीक ढंग से सामने नहीं आया। मैडम, जैसा कि मैंने अभी बताया कि इतनी सारी अनक्लेम्ड पालिसीज होती हैं और साथ ही पूरी जमानत जफ्त जो की गई उसमें 2300 करोड़ से ऊपर का पैसा आया। तो अगर इस ढंग से यह सारा व्यवहार चला तो आने वाली विदेशी कंपनियों के साथ भी इसी ढंग से व्यवहार होगा। यहां का पैसा एल०आई०सी० के ज़रिये यहां रहता है, देश में रहता है लेकिन विदेशी कंपनियां आएंगी तो यह कंपनियां यहां से पैसा बाहर ले कर जाने वाली हैं, इसके लिए हमें आपत्ति है। मंत्री जी इस विषय में खुलासा करें कि अगर यह होने वाला है तो इसका क्या बंदोबस्त करने वाले हैं।

साथ ही साथ वायोलेशन आफ स्ट्टेयूज़ की बात मैंने कही है। कमीशन पेयेबल टू एजेंट्स के लिए हमारे यहां जो एल०आई०सी० एक्ट 1956 में बना था उसमें 48(1), 48 (2) (सीसी) और रूल 10(1) को देखने की आवश्यकता है। इन सभी में यह है कि यह सब स्टेट्यूटेरी प्रोविज़न हैं। फिर भी एल०आई०सी० के पी०आर०ओ० सर्कुलर निकालते रहते हैं और यह कहते हैं The L.I.C. has a legal right to issue circul ars. एल०आई०सी० गवर्नमेंट की बॉडी है, हम उसका कानून बनाते हैं, हम उसके रूल्ज़ बनाते हैं लेकिन एल०आई०सी० इस भावना से चलती है कि हम खुद कुछ भी कर सकते हैं और हम इसी ढंग से कारोबार संभाल सकते हैं वह अगर वायोलेशन करती हैं तो हम उस पर ध्यान नहीं देते हैं मुझे आपत्ति यह है कि आगे जब विदेशी कंपनियां भी इसी ढंग से व्यवहार करेंगी तो हमारा क्या होने वाला है? देश का कितना पैसा बाहर जाने वाला है? मंत्री जी किस ढंग से यह सब बंदोवस्त करेंगे, इस बात का खुलासा करें। (व्यवधान)

उपसभाध्यक्ष (श्रीमती कमला सिन्हा): अब आप समाप्त करें।

श्री सतीश प्रधान: लास्ट प्वाइंट है। बोनस प्रिमियम, अनक्लेम्ड डिपोज़िट जो फोरफीट किये जाते हैं, यह पैसा एल०आई०सी० खुद रखती है और उस पैसे के ऊपर कोई इनकम टेक्स नहीं देते हैं। यदि इसी ढंग से विदेशी कंपनियां भी व्यवहार करेंगी तो इससे इस देश को कितना इनकम टेक्स और बाकी सब नुकसान होने वाला है, ज़रा मंत्री जी इस विषय पर भी ध्यान दें। इतनी बातें मैं आपके सामने रखना चाहता था। धन्यवाद।

उपसभाध्यक्ष (श्रीमती कमला सिन्हा): श्री आर० के० कुमार। दो मिनट।

SHRI R. K. KUMAR: Madam, with due respect to the initiator of the Short-Duration Discussion and to my colleagues, the whole discussion, in my humble opinion, is like putting the cart before the horse. A lot of apprehensions and misapprehensions have been expressed on the opening up of the insurance business to private companies in India and also to foreign companies. Our apprehension is more in regard to the participation of foreign companies. I think we must first know from the hon. Finance Minister the modalities, the conditionalities and the restrictions in regard to the opening up before expressing our apprehensions and misapprehensions. Since everybody has expressed his apprehension, let me also say something not in two minutes but in one minute.

Madam, opening up of economy, liberalisation, globalisation, etc. certainly would be followed by opening up of the insurance sector. This is a natural corollary. I would like to make one point. The Finance Minister knows it very well. So far as big risks are concenred, our Indian companies, particularly in marine area, have co-insurance and reinsurance. If I take a risk of Rs. 500 crores, I pass on that risk to a foreign insurance company. I give my premium to a foreign

insurance company. So, if there is a claim, that foreign company would also have to share my claim. When such an arrangement is there, you can think of increasing the share of co-insurance and reinsurance of foreign companies without allowing them to operate on our soil. This is one point. I don't understand what is the necessity for foreign companies to come over here. If it is for the purpose of investment, as has been rightly pointed out, it is a short-term advantage. As Shrimati Renuka Chowdhury has pointed out, we need not say that they are coming here to loot. But nobody is going to come here to serve the Indian citizens. Nobody is going to come here to do social insurance business or social banking. They are coming here to make profits. So long as they make profits and operate reasonably, that is okay. But they are not coming here for charity. They are coming here for making profts. The investment point of view is not valid because in the long run they will take away all the profit.

If it is technology, as rightly pointed out by Mr. Gurudas Das Gupta, we can buy it from outside. As a matter of fact, today we are supplying technology to others. If it is better service, I am sorry to point out that the foreign banks are not at all serving either the industry or the agriculture. All foreign banks concentrate on the cream sector, the consumer banking. They are satisfied with car banking, personal loan banking—safe and secure business— and are making profits. Not a single foreign bank is giving working capital to our industry. Not a single foreign bank is giving loans to any agriculturist. In the matter of service also, I have some apprehensions. Our companies such as the LIC or the GIC may not reply to our letters. But the foreign banks would inundate you with letters without actual payment of claims. If it is for better service it is a misconception that foreign companies are going to serve us better, and I strongly recommend to the hon. Finance Minister to read the famous book, the Rainmakers, written by John Grishim. In this book, he graphically describes how the foreign Insurance companies try to avoid payment of claims.

Madam, before you remind me to sit down, I would like to make my last point. It is about the control of our economy by foreign companies and about the surplus funds of the insurance companies and the investment in securities and shares. With the entry of the foreign institutional investors into our share market, it is operating at their mercy. While the foreign companies bring in the capital and invest it in the share market, the FIIs are operating our share market. Our Share market is at their mercy. They will have control over our economy. Therefore, I strongly support opening up of the insurance sector to the Indian private sector, but oppose entry of foreign companies in this field without appropriate restrictions, conditionalities or modalities in regard to their operations.

Thank you, Madam.

SHRI P. CHIDAMBARAM: Madam Vice-Chairperson, I am grateful to the hon. Members for initiating this short Duration discussion on the insurance sector. In a sense, this is not a new subject. This is not a subject on which I, as the Finance Minister of this Government, am called upon to make any pronouncement of a policy for the first time. A debate was initiated in this country in 1994. The previous Government set up a Committee on the reforms in the insurance sector in April, 1993. That Committee is popularly known as the Malhotra Committee. I tried to find out if there has ever been a substantive discussion on the Malhotra Committee report. Subject to correction, I was told that this report was not discussed in this House. I am, to some extent, disappointed to know that the report of the Malhotra Committee, which I think is a very important document, has not been debated substantively and today we are discussing what really is a side issue, without discussing that report. Since I have an opportunity now, let me introduce this report to the House. let me highlight the main conclusions of this report and then try to throw some light on the issues raised today.

Firstly, the terms of reference of the Committee, *inter alia*, were: To examine the structure of the insurance industry; to assess its strengths and weaknesses, the objective being to create an efficient and viable insurance industry, providing a wide reach of insurance services and a variety of insurance products, with a high quality of service.

This theme will recur again and again in my brief reply. The strengths and the weaknesses of the Indian insurance industry have to be measured by its reach, the variety of products, the price and the quality of the service.

I would most humbly urge my friends not to adopt an ideological approach to what is a service required in a society. In a country as large as India, with an economy as diversified and growing as India's insurance, like banking and many other financial services, is an absolutely essential service. Can you conceive of an Indian economy without banks? Can you conceive of an Indian economy without insurance? Some two hundred years ago, there was no insurance in this country. But today, given a modern economy and our desire to modernise our economy, it is not possible to conceive economic growth without banks or without insurance.

The Malhotra Committee was asked to assess the strengths and weaknesses of India's insurance industry, the objective being that insurance services must reach the largest number of people, there must be a variety of insurance products—the price of the service will be important—and that it must be a high-quality service. Some other terms were referred—to make recommendations for changes in the structure of the insurance industry keeping in mind the structural changes currently underway in other parts of the financial system, to make specific suggestions regarding LIC and GIC, to review the present structure of regulation and supervision and some other items. This Committee, as was referred to by an hon. Member, consisted of very eminent people, clearly people who had great experience in the financial sector and particularly the insurance industry. I mean, nobody can have anything to say about the eminence of Shri R.N. Malhotra, who was the Chairman, Shri R. Narayanan, who was the former Chairman of the LIC, Shri R.K. Daruwala, who was the former Chairman of the GIC, Dr. S.A. Dave, who was the former Chairman of the UTI, Shri R. Ramakrishna, President of the Actuaries society of India and some other members.

This Committee adopted a course of action which included constituting working groups from amongst the senior executives of the LIC and the GIC, to collect and collate data and analyse information, to meet with a large number of interest-groups and opinion leaders across the length and breadth of the country, to ascertain their representative and informed views, to circulate a questionnaire and then engage a wellknown market research agency to elicit popular perceptions about the insurance industry. I think they went about it in a very thorough and methodical manner.

Now, what they have reported is quite flattering to LIC and GIC, and even those who wish to rise to defend the LIC and the GIC, should, I believe, read this report and quote from this report. It is quite flattering to LIC and GIC. No one has said anywhere that LIC and GIC have done badly. In fact, contrary to the recommendations of this report, when my colleagues and I wrote the CMP, we consciously differed from a portion of this report and said that LIC and GIC will remain in the public sector. This report says that you must disinvest up to 50%. The United Front disagreed with this recommendation. And I will come to the CMP in a moment.

Now, I heard an hon. Member dismissing the report by saying that he had talked about liberalisation only in two and a half pages. I thought brevity is the soul of wit. One doesn't have to write volumes to support one's conclusions. As long as we are satisfied that they have applied their mind and reached conclusions which are reasonable and are well-argued, certainly conclusions can be written in two and a half pages.

This report, Madam, after analysing a large number of matters, deals with liberalisation in insurance industry, which I understand is the subject of today's limited discussion. I wish we could have discussed the whole report in which event my field would have covered various other aspects of the insurance industry. Since this Short Duration Discussion is limited, as I understood the initiator, to the liberalisation of the industry, I wish to draw attention to certain conclusions of this report. The conclusions are and I will quote a few lines

here and there: "While nationalised insurance companies have done a commendable job in extending their presence and services throughout the country and are handling large volume of business, the choice available to the insuring public is inadequate in terms of service, products and price." Please relate it to what I said as the first term of reference. "Reach of service, variety of products, price and quality." The conclusion is while they had done a commendable job, the choice is inadequate in terms of service, products and price.

"Introduction of competition should result in better costomer service and help to improve the variety and price of insurance products."

Another conclusion is:

"There is still a vast untapped potential and many lines of business have remained under-developed. The arrival of new players should speed-up the spread of both life and general insurance."

"The nationalised insurance companies are financially strong... they are in a position to face competition."

"There is little reason for keeping insurance a monopoly. The private sector, should therefore, be allowed to enter insurance business."

This is the broad conclusion on the liberalisation chapter.

I only wish to draw attention to the reports of a survey by a major agency. The survey, as I said, is extremely favourable to LIC and GIC, which is what prompted us to write a sentence in the CMP that LIC and GIC will remain in the public sector and they will not be privatised. I said that before and I say this now. LIC and GIC will remain public sector companies, will be strengthened. I have already taken a number of steps to strengthen LIC and GIC which I shall presently narrate, but we believe that we must begin a discussion in this country. I am using words carefully, we must begin a discussion in the country about exposing LIC and GIC to a measure of competition. What will be the terms of competition? We can discuss it here itself, but there are different views. There is a view which says, you must simply expose them to competition. There is another view which says, yes, expose them to competition, but the Indian industry should be allowed to compete with them. There is another view which says, and I respect that view, don't allow...

SHRI JEBON ROY: Madam...

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Jibon Roy, let him finish.

SHRI P. CHIDAMBARAM: Don't allow any competition, against LIC and GIC, you strengthen LIC and GIC. There are three shades of views. What is wrong with that? This Parliament, Lok Sabha represents a plurality of views. The people of India have elected a certain number of people from the Communist Parties; they have elected a certain number of people from the reglonal parties; They have elected a certain number of people from the national parties. Even among the national parties, there is a party which allows for limited competition. There is another party where the former Finance Minister stood up and said, "We fully support your CMP paragraph." Why would anyone think that I will stand up and make an ex cathedra pronouncement? I have no intention of making an ex cathedra pronouncement on policy. My business is, as a facilitator, as a change agent, as a reformer; as one who is passionately committed to restructuring India's economy, my business is to initiate discussion and to evolve a consensus. I can do nothing without Parliament's approval, and I will do nothing without Parliament's approval, but I cannot sit idle on the ground that opinion is divided. It is my business to get on and explain the issues to the people, try to persuade the Parliament to a course of action which will benefit India's economy and that is precisely what I intend to do between now and whenever we all agree that changes will be brought about in insurance industry. But, I reject the argument that nothing should be done; I reject the argument that nothing should be said: I reject the argument that there should be no debate. That is something which no thinking person can accept. We should begin a debate. We should have a vigorous debate in this country, and we should evolve a consensus as to what is good for India's economy.

SHRI GURUDAS DAS GUPTA: Mr. Finance Miniser, just a second.

SHRI P. CHIDAMBARAM: Let me finish please.

SHRI GURUDAS DAS GUPTA: I agree with your point that there should be some discussion, but before the discussion had taken place, I am sorry ...(*Interruptions*)...

SHRI P. CHIDAMBARAM: I know your question. I am aware of your question ...(*Interruptions*)...

SHRI SURINDER KUMAR SINGLA: Have some patience.

SHRI P. CHIDAMBARAM: Madam, on that very short question—I would only invite the people to read sometime appendix-VIII, which as I said is very favourable to LIC and GIC—now, on the short question, "Do you welcome the entry of the private sector? "— but, please, this is for a caveat; nobody asked about foreign companies or Indian companies, it is only private sector—the respondents perceived two broad areas of benefits that will accompany the entry of private sector companies: one, greater efficiency; two, better financial benefits like higher bonus, lower premium. When the target groups were asked and given three options, only public sector, only private sector, public plus private sector--I salute the people of India. I think they are ten years ahead of the politicians and the political parties, I have no doubt about that. I say this with meaning no disrespect to anyone. The people of India are at least ten years ahead of India's political parties and politicians. We blame our inaction on the people, we blame our inability to innovate and be creative on the people of India, saying the people are not ready. I think the people are ready. What did the people say? There were five target groups: LIC policy-holders' corporate, GIC policy-holders' corporate, LIC agents, GIC agents, GIC surveyours. When the option of only public sector was given, highest percentage favouring that option was 42 and that is among the LIC agents. The lowest was among the LIC policy-holders' corporate, which was 9. So, both respondents are somewhat biased, clearly, there is an institutional bias in thier response. When the option of only private sector was given, the highest respone was among the LIC policy-holders, who were 9 for the first option, become 29 here. And the LIC agents who were 42 in the first option become 12 here. Again, there is a bias, clearly. But, when you look at all the groups, 60 per cent on a average that is 60, 61, 42, 51, 64 percent had said, both let public sector and private sector be in the insurance sector. I am not saying this is final. This is only one survey by one agency of a selected sample. I am not saying this is final; I am not saying this is the law or this should be the law. All I am bringing to Parliament's attention is this is the view that has emerged in one survey.

In the light of this, what does the CMP say? I have repeatedly said that the CMP is my guide, the Steering Committee is my sounding board, the Cabinet is my master. I will have to implement what the CMP says, subject to what the Cabinet decides. My personal view does not matter. My personal view is to be stated in fora—within the party, within the Front, within the Cabinet. Whatever the Cabinet decides, will have to be implemented subject, of course, to Parliament approving Cabinet's decisions. What does the CMP say? The CMP, in three sections, talks about policies which have a bearing on the subject we are discussing. First on industry. It says,

> "The United Front is committeed to maintain a 12 per cent annual growth in the industrial sector. This will require massive capital and modern technology, apart from continuing, the process of deregualtion and decontrol, as required."

5.00 P.M.

> "There is ample room for public investment as well as private investment. When it is required to face comptition, the domestic industry will be assured of a level-playing field." When it comes to the public sector, it says: "The public sector will continue to be an important component of Indian industry. The UF Government will help make public sector strong and competitive. In a

competitive and technology driven economy there is no room for monopolies and inefficiency."

THE VICE-CHAIRMAN (SHRIMATI KAMLA SINHA): Mr. Minister, just a minute. Now it is five o' clock. I have to take the sense of the House.

SHRI GURUDAS DAS GUPTA: We should continue. We should give him time. Also, we should be allowed to put questions because he is only reading some report.

THE VICE-CHAIRMAN: Can you sit down, Mr. Gurudas? *(Interruptions)* Is it the sense of the House to sit till the Minister finishes and queries asked? Thereafter, we have some special mentions listed for today. Shall we take them up?

SOME HON. MEMBERS: Yes.

THE VICE-CHAIRMAN (SMT. KAMLA SINHA): Please continue, Mr. Minister.

SHRI P. CHIDAMBARAM: Finally on infrastructure, this is the most crucial thing, it says: "There is a strong link between infrastructure development and financial sector reforms. Infrastructure needs long-term finances. The United Front Government will carry out further reforms of the financial sector so that the flow of both domestic and foreign funds to the infrastructure is enhanced substantially. There is room for public sector companies and private sector companies to co-exist and compete in the financial sector. We have gained considerable experience in the working of the banking sector. The same experience will be applied to the restructuring of the insurance industry but, at the same time, public sector companies like LIC and GIC will be strengthened." The paragraph on insurance is taken from the infrastructure chapter.

[THE VICE-CHAIRMAN (SHRI MD. SALIM) in the Chair]

I think, Sir, this is as clear and as categorical a statement of policy as can be made by a Government, particularly a Government composed of more than one party. This is after deliberation, after discussion that we have made a statement. I am bound to implement this policy and that is precisely what the Government is doing. I have no hesitation in saying that we are well within the parameters laid down by the CMP.

I wish to say what we have done so far. What we have done so far is, after the Malhotra Committee report was made public on the 23rd January, 1996, the previous Government established the Insurance Regulatory Authority on a non-statutory basis. Powers of the Controller of Insurance have been vested in the Chairman of the non-statutory Insurance Regulatory Authority. This resolution has been published in the Gazette. A provision of Rs. 2.25 crores has been made for the IRA in the Budget which the Lok Sabha passed and this House returned. I believe, it is too late in the day to make a charge that the Parliament has been byepassed and the IRA has been set up without the approval of the Parliament. My hon. friends here returned a budget provision of Rs. 2.25 crores to the Insurance Regulatory Authority.

SHRI GURUDAS DAS GUPTA: Nobody objected? *(Interruptions)*

SHRI P. CHIDAMBARAM: You did not. Somebody else. *(Interruptions)*

SHRI GURUDAS DAS GUPTA: There was nobody .... *(Interruptions)* ...

SHRI P. CHIDAMBARAM: I do not want to enter into an argument, Mr. Das Gupta. You should be little courteous.

Therefore, the Insurance Regulatory Authority is in place today.

What I said in the Budget speach was that "I will introduce a Bill to replace..."— this is what I said in the Budget speech on 22nd July—"..an interim non-statutory Insurance Regulatory Authority which was set up in January 1996. I propose to introudce a Bill to make it a statutory body and empower it suitably. When I return to the subject of insurance in the next Budget, I shall address some of the policy parameters outlined in the Common Minimum Programme, including hte sequence of steps, for restructuring of the insurance industry." This Budget speech was debated; the Budget was debated and the Budget has been passed. I believe there is broad support for the proposal that I mooted in my Budget speech that a Bill would be introudced

to make the Insurance Regulatory Authority a statutory Authority. I believe there is a broad support. The only thing that I intend to do is to introudce a Bill to make the IRA which is non-statutory today a statutory Authority. I have no intention of taking the next step unless some more homework is done, some more discussion takes place and the Cabinet arrives at a decision. Some questions have been put here about certain other steps which we have taken. But, before that I also wish to refer to some other work that has been done mostly during the period of the previous Government. After the Malhotra Committee Report came, the Government initiated a process of consultation. The Malhotra Committee Report was discussed in the Consultative Committee of Parliament on 11th May, 1994. Discussions were held with the management and the unions of the insurance industry on 30th April, 1994 and 22nd June, 1994 respectively. Discussions were held with consumer interest groups, chambers of commerece and industry and academics on 22nd July, 1994. I have the minutes of these discussions. As I said, there is a plurality of views; there is a diversity of views. Different views, different shades of opinion have been expressed. Even in the Consultative Committee, there are Members who argued for one position and those who aruged for the other position. There are also people who have taken the middle path. But since our Government took over, we have taken a number of steps. Firstly, after a long gap we constituted, rather fully-constituted, the Board of LIC. The Board of LIC had not been constituted for many, many years. It only had full-time Director. For the first time, we have fully constituted the Board of LIC with eminent professionals representing various walks of life. I have directed the LIC that henceforth they shall be a Board-managed company. I have also requested the Board to constitute various committees in order to supervise its work and operations. The Board of GIC is under reconstitution and I am hopeful that I will be able to reconstitute, rather fully constitute the Board by the end of this month.

A reference was made to mortality-tables. In fact, I brought it out in my Budget speech. I do not claim credit for it. I brought it out in my Budget speech that the mortality-tables were outdated. Now the LIC has announced that the mortality-tables are under revision. I think the new mortality-tables will be announced in the next month or so. I am hopeful -- I cannot assert it now -- that the new mortality-tables will reflect the longer expectancy of Indians and better health conditions and the premiums will fall.

We have also given the LIC and the GIC greater flexibility in investing their funds so that they can earn better and, therefore, can give better bonus and better return to the policy-holders.

A reference was made to liaison offices which have been allowed to be opened and a charge was made that I have done something which is a gross breach of law or propriety. But, what I wish to say is that the first liaison office was allowed to be opened on 9.1.1992 by the previous Government. The previous Government allowed liaison offices to be opened, the first one on 09.01.1992; the second one on 21.09.1992; the third one on 10.04.1994; the fourth one on 05.10.1994; and the fifth one on 22.02.1996. In fact, the Reserve Bank of India has allowed it. When the fifth office was opened on 22.02.1996, the Reserve Bank of India, consulted the Government and asked the Government's views, before it gave permission. So before our Government took over, five liaison offices had already been allowed by the previous Government. When the reserve Bank of India had a large number of applications, and they asked us for our views on whether some more could be allowed, after considering all matters, we said, "Yes, you can allow some more to give a wider representation to other countries which are interested in good economic relations with us." That is how a Swiss company, a Japanese company and a German company have been allowed. So, I have not done anything new. I have merely continued a policy as old as January, 1992 of allowing liaison offices. But we have made it absolutely clear that except the proposed liaison work, which they say is to study the market and the economic situation in the country, they will not undertake any kind of activity, any kind of trading activity, — commercial or industrial— nor shall enter

into any insurance business, in any manner whatsoever. So I have not done anything which is a departure from a policy which has been followed since January, 1992.

SHRIMATI RENUKA CHOWDHURY: What kind of scrutiny do you apply for opening up of these liaison offices. Is anybody and everybody allowed to open?

SHRI P. CHIDAMBARAM: Not everybody. The Reserve Bank of India must be satisfied about the proposed liaison office's track record, about its present in the country it represents, etc. The Reserve Bank of India, after studying the record of the companies decides that a certain number of liaison offices can be allowed for certain companies. I greatly welcome that words of caution addressed by a large number of hon. Members who are inclined to support the restructuring of the insurance industry. Words of caution were addressed to the unions, words of caution were addressed to the Government. Both are important. As far as I am concerned, I will give great weight to the words of caution addressed by the hon. Members. For the present, it is the intention of the Government to bring before the two Houses of Parliament a Bill to give statutory status to the insurance regulatory authority, When this Bill is introduced, hon. Members will find that it is patterned on the basis of SEBI and patterned on the basis of a Bill introduced for the Telecom Regulatory Authority. If there are any suggestions on the Bill, I will certainly consider them and any suggestions which improve the working of the IRA will be accepted. But I do not think we should anticipate what the Bill will contain. When the Bill is introduced, hon. Members will have an opportunity to express their views. As I have said, we will return to the subject of insurance in due course. In the meanwhile, we intend to continue with the work that we are doing, preparation of a discussion paper, discuss it extensively within the Government—and I will come to the House with whatever structural changes that we propose for the insurance industry. For the time being, there is no reason to entertain any undue apprehensions. We are committed to reform of the financial sector. We are committed to restructuring the insurance industry. We are committed to keeping the LIC and GIC within the public sector and strengthening them. But, I will have to pay heed to the valuable recommendations of the Malhotra Committee as well as the policy articulation in the Common Minimum Programme.

SHRI GURUDAS DAS GUPTA: If not replying to the questions is a virtue, then of course, I pay respect to the hon. Finance Minister. Sir, I had raised the most important point that he has bypassed the Parliament and I am still on it, not because of the opening of the liaison offices but because of his repeated statements inside and outside the country that the insurance sector will be opened up to the foreigners. Repeated statements. This is one thing. He has not answered that. The second thing is, he has not read out that part. Let him say. *(Interruptions)*...

The most important thing is : how do the people understand the signal of the Government? It is in the recent period that leading industrial houses in the country have entered into arrangements with different insurance companies of the world. Therefore, the point is this. It is not a question whether liaison offices were opened earlier or not. The point is: he cannot do it without the sanction of Parliament. If he had taken the support of the Cabinet, it is for him to spell out. But the point is: how does he invite private capital in the insurance sector which is in the exclusive domain of the public sector, as per the decision of Parliament, as per the policy enunciated in 1956 and 1971? Why has he gone back on that?

Secondly, it is because of his statements, repeated statements, that in the recent period, in recent months, Indian companies like the Tatas, the Bombay Dyeing and some other companies; and most of all, the country's largest bank, i.e. the State Bank of India, have entered into arrangements. This is what I had said. It is clearing the deck for the appearance of foreign players in the insurance sector. This is my charge against him. I charge him. He respects plurality. I also respect. I am within my right to charge him of bypassing Parliament. Going over the head of Parliament, he has done it. He talked of consensus. But consensus cannot be arrived at if you make something a *fait accompli*. I hope the hon.

Minister would, at least, respond to it. I hope the hon. Minister would also respond to the findings of the Parliamentary Committee of the United States of America regarding the functioning of the insurance industry in their own country.

DR. BIPLAB DASGUPTA: Sir, I would like to make one or two points.

THE VICE-CHAIRMAN (SHRI MD. SALIM): We are only having a short duration discussion.

SHRI GURUDAS DAS GUPTA: I have raised two questions. I hope the hon. Minister would respond.

Just one point, Sir. At no point of time, I had objected to the setting up of the Regulatory Authority. But if the Regulatory Authority is given the power to issue licences to private companies to enter the business, the insurance business, on that we shall depart. *(Interruptions)*

THE VICE-CHAIRMAN (SHRI MD. SALIM): You have made your point. Now, Mr. Biplab Dasgupta, you put only specific questions. Only if you need more information from the hon. Minister, you ask him.

DR. BIPLAB DASGUPTA: I would put only specific quesitons.

The hon. Minister rightly said that he would initiate a debate on the insurance sector policy. We welcome it. He has also said that it is only after such a debate, it is only after gathering the opinion of different sections in the House as well as outside, that a final decision would be taken by the Cabinet. Fine. If that is the case, why is this rush? Why is this hurry to have the Insurance Regulatory Authority in place? If the Insurance Regulatory Authority is set up, what does it do? What would be its functions? If there are no functions for the Insurance Regulatory Authority, why can't it be postponed? Let the debate take place first and then let us come to a final decision. This is one thing.

The second question that I want to raise is this. Has the Finance Minister taken into account as to why the West is wanting to enter our market? It is not that they want to do it only now. In 1989, for the first time, India was put on the Super-301 hit list, on the ground that the Indian Government had not opened up the insurance sector. Then, in 1990. Again, in 1991. Finally, in 1992, the previous Government was forced to permit the liaison offices to be opened in the country.

Sir, we are under so much pressure from the West because the western economy...

THE VICE-CHAIRMAN (SHRI MD. SALIM): You have to put the question, Mr. Biplab Dasgupta. You don't have to explain.

DR. BIPLAB DASGUPTA: I am explaining just for his understanding so that he could answer my question adequately.

The economies in the western countries have undergone a transformation. The services sector accounts for anything between 60-70 per cent of the income as well as of employment. There is a huge sector, a huge insurance sector, and other types of the financial sector. They want to go round the world and make most of their expertise and efficiency. Well; I would like to ask: should we make room for them, would it be in their interest, or, should we look to the interests of our country? There is a huge amount of savings in our country. Why should we allow it to be dissipated? Why should we not direct it to our national priorities?

These are the two specific questions I wanted to put. I would very much like the hon. Minister to respond.

SHRI R.K. KUMAR: The Reserve Bank of India has given permission to the opening of these liaison offices. As per my professional experience, normally, when these companies, the foreign companies, do business with India -- import of goods from here, etc. -- they are allowed to open liaison offices.

But the foreign insurance companies do not do any business in India.

My only apprehension—like many other apprehensions--is, it will not be a liaison office but a lobbying office.

SHRI JOHN F. FERNANDES: Sir, it appears that there is no unanimity in the Treasury Benches on the Common Minimum Programme--and from the Congress Party we are unanimous in supporting this Government.

The hon. Minister has mentioned, time and again, that he is going to bring this Bill before Parliament. Can we have an assurance that he is going to bring it in this session of Parliament itself? Or is he going to delay it because of difference in the United Front?

SHRI SURINDER KUMAR SINGLA; Sir, I am happy that the Insurance Regulatory Authority was provided for in the last Budget itself, and to this uninformed Parliament the Minister has clarified the position that Parliament was not bypassed. But I am really interested in one question. As the hon. Minister says, they are looking for long-term funds available from pension and insurance funds so that the infrastructure could be developed. I want to simply ask whether any study has been made by the Ministry to find out whether the resources could really be mopped up by bringing the private sector into the insurance beusiness and what kind of sources he is visualising, say, in the next five years.

SHRI V. NARAYANSAMY (Pondicherry): Sir, I am going to seek only one clarification from the hon. Minister. Now privatisation of the insurance sector is the subject-matter of a controversy going around. Opinions are differing from one political party to another and here, especially, serious differences have arisen among the constituents of the United Front. I would like to know from the hon. Minister whether this proposal for the Insurance Regulatory Authority was put before the Cabinet for its approval and if the Prime Minister had deferred it till he consults some of the political parties and also because the Minister himself wants to have some more views of the various organisations and concerned political parties.

Sir, I had an opportunity to meet Members of Parliament in England, and some of the Congressmen have been asking me. ...*(Interruptions)*... Members of Parliament were there. I met them and discussed with them. ...*(Interruptions)*... Congressmen from the United States were also there. We had a discussion there and during the course of the discussion they asked me whether our Government was going to privatise the insurance sector. I told them that the pros and cons of it would be looked into by the Government and no decision was taken. They were in such a hurry that one Member of Parliament told me--I don't want to name the Member--that he doesn't want to contest elections but would like to come and invest in India when we open up the insurance sector in India. That is the kind of anxiety which the Western countries are showing.

THE VICE-CHAIRMAN (SHRI MD. SALIM): You wanted to seek some clarifications or you wanted to say something?

SHRI V. NARAYANASAMY: Only one point I want to make.

SHRI P. CHIDAMBARAM: His views! ...*(Interruptions)*...

SHRI V. NARAYANASAMY: Sir, the point is, with the investment that has come into our country, as we have seen, the people who come and invest here want quick profits. They are investing in the consumer goods sector. In the capital goods sector, only in power they are investing ...*(Interruptions)*... I am going to conclude within half a minute.

THE VICE-CHAIRMAN (SHRI MD. SALIM): Put the question. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: Plurality of views! ...*(Interruptions)*...

SHRI GURUDAS DAS GUPTA: Plurality of views in the party! ...*(Interruptions)*...

SHRI V. NARAYANASAMY: So far as regulatory authorities are concerned, we have seen SEBI--how it it functioning, how it is regulating and how the share market is running in this country now. How is the regulatory authority, which the hon. Minister is referring to, going to safeguard the insurance sector?--because the insurance sector is one sector which is giving money for the social sector in this country and there is no denying that fact.

Therefore, I want to know from the Minister what safeguards he is going to provide for the purpose of helping this country and for not allowing multinationals to come here. They work only for the purpose of taking profits from this country.

SHRI NILOTPAL BASU: Sir, one small thing.

THE VICE-CHAIRMAN(SHRI MD. SALIM): So many questions have been asked.

SHRI NILOTPAL BASU: Only one small thing.

The Finance Minister has made a point about the infrastructure. I will just ask a small question. What has been our experience in financing of infrastructure so far as foreign investors of this kind are concerned? Are we getting the kind of long-term finance that we need from these sources for infrastructure?

THE VICE-CHAIRMAN (SHRI MD. SALIM): Mr. Minister, I think there is a Cabinet meeting now. I think the Cabinet is his master. ...(*Interruptions*)...

SHRI P. CHIDAMBARAM: I have no hesitation in admitting it. The Cabinet is the master of every Minister.

Sir, let me say once again very briefly that the only decision that has been taken so far is to bring a Bill to make the non-statutory I.R.A. a statutory Insurance Regulatory Authority. When the Bill comes before the House, Members will have an opportunity to study it and to give their valuable views on whether the Bill is adequate or inadequate or whether the Bill requires to be improved or amended in any manner. ...(*Interruptions*)...

We will see. That depends upon the Business Advisory Committee.

I don't think that we should anticipate what the Bill will contain.

As regards the experience of competition, what it will do to India and the fears that have been expressed, I think it is a larger debate, not confined to insurance alone. I would be happy to enter into a debate on that issue. I think, some reservations are valid, but, in a globalising economy, in which those who will eventually survive and succeed are only those who will be competitive and efficient, a degree of competition is a win, win situation for everybody. That is a larger debate. It is not possible to deal with that subject in this short space of time.

Kindly remember that the LIC itself is not confined to India. The LIC has Branch Offices in U.K., Mauritius and Fiji. The LIC started marketing the unit-linked products in U.K. in June, 1992 with a working arrangement with the Sunlife, one of the leading life-insurance companies in U.K. The premium income of the LIC in 1992-93 — I don't have the latest figure—for the business done outside India has Rs. 40 crores. The LIC formed a subsidiary company, called the "LIC International" in Bahrain in 1989 in collaboration with a local company. In Kenya, the LIC has a joint venture by name "Kenindia Assurance Co. Ltd." in collaboration with the GIC, its four subsidiaries and others. The LIC will be regarded in those countries as a multinational going there. ...(*Interruptions*)...

I am not saying anything. ...(*Interruptions*)...

I am not obliged, in a Short-Duration Discussion, to answer dozens of questions. ...(*Interruptions*)...

SHRI GURUDAS DAS GUPTA: I asked of him specific questions. He has no answer. ...(*Interruptions*)...

SHRI P. CHIDAMBARAM: He can reach whatever conclusions he wants to reach. Merely because he raises his voice, it does not mean that the strength of his argument increases.

Mr. Das Gupta is entitled to his views, and I am entitled to mine.

SHRI GURUDAS DAS GUPTA: Of course, but don't say that, as a Minister, you are entitled to your personal views.

SHRI P. CHIDAMBARAM: I am entitled to my views. I am expressing the views of the Governement. ...(*Interruptions*)...

SHRI GURUDAS DAS GUPTA: The Government has not decided to invite foreign firms. ...(*Interruptions*)...

SHRI P. CHIDAMBARAM: Mr. Das Gupta cannot try to impose his views on this House or anyone else. ...(*Interruptions*)...

I have repeatedly said that the only decision that had been taken was to make the I.R.A. a statutory Authority. If any other decision is taken, it will be disclosed to the House.

SHRI GURUDAS DAS GUPTA: But you have been inviting foreign firms.

SHRI P. CHIDAMBARAM: Mr. Das Gupta was not a member of the audience when I addresed union organisations. Mr. Das Gupta reads newspers. Mr. Das Gupta should be present when I speak. Mr. Das Gupta cannot try to....

SHRI GURUDAS DAS GUPTA: But, there has been no denial of his statement.

SHRI P. CHIDAMBARAM: I do not have to deny every statement which Mr. Das Gupta reads somewhere. I have to only answer a Short Duration Discussion. This discussion has proceded in an orderly manner for the last two and a half hours and I would humbly request you, Sir, not to allow this to end in disorderliness. The point I am trying to make is that LIC itself is there in other countries. That is all that I can say now. What that will mean to our policy-making, I am in no position to say. It is only when decisions are taken, after discussions, will I be able to come to this House to say what decisions are being taken.

DR. BIPLAB DASGUPTA: I asked you one question.

SHRI P. CHIDAMBARAM: I am sorry. I got distracted because of interruptions. I remember your question. With great respect to Dr. Biplab Dasgupta, I would say that we are not rushing into anything. When the non-statutory IRA was set up in January 1996, even then it was indicated that it would be made a statutory IRA. Now that 10 or 11 months have elapsed, it is good to have statutory IRA so that the IRA can function within the parameters of a statute. When the Bill comes, you can comment upon the rightness or otherwise of the provisions of the Bill. It is always good to have an authority, which is regulatory, governed by a statute made by Parliament rather than by an executive order. We are not rushing into it. It is ten months after the non-statutory IRA had been established that I am bringing a Bill. Obviously this Bill has to be debated and passed after a debate.

DR. BIPLAB DASGUPATA: What is the harm if it was there before the Bill was passed?

SHRI P. CHIDAMBARAM: The Bill is the initiator of the debate. How can a Bill be passed before a debate? We are bringing a Bill to make it statutory. You can debate that Bill. At that time I will listen to your views most carefully. So, my submission is that I am grateful to the Members who have participated in this debate. I have noted the points. There will be other occasions when we will continue to debate the insurance industry. I am grateful to the hon. Members for raising the issues....

SHRI SURINDER KUMAR SINGLA: I asked you a question. Has the Finance Minister anything to say on the question that privatisation of the insurance industry will add to the resource availability?

SHRI P. CHIDAMBARAM: Sir, insurance is a savings driven business. It is the savings of the people, which go into taking insurance policies. Premia are savings. It needs no repetition that it is the best form of long-term savings. The only other comparable form of long-term savings are pension funds. Sir, most insurance policies are also pension-linked. Not all, but virtually all policies have pension component to it. So insurance funds and pension funds represent the long-term savings of the society. For example, Rs. 75000 crores or Rs. 80000 crores, which are life funds of the LIC are the long-term savings of the Indian people. It is that figure which is often quoted; as 75 per cent of life funds is invested in various useful projects. Therefore, if the reach of insurance is wider, if the products are better and more varied, if the price is better, if the quality is good, it is a natural conclusion that the savings of the people will increase. In any savings instrument if you make it more attractive, savings will increase. If insurance becomes more attractive, more competitive, more efficient and is of better quality, it is a fair conclusion with which all economists will agree that the total savings will increase in terms of premium. If the total savings of the people increase, that raises the savings ratio of the country, which is then available for long-term investment. That is why insurance is a leading segment of the financial sector in every country. We must make insurance business more competitive and a leading segment of the financial sector. That is one way to raise the savings of India. Today India's saving is about

23 per cent or 24 per cent. We hope to raise it to 26 per cent or 27 per cent. This can only be done if you have attractive savings instruments. We have short-term savings instruments like *Vikas Patras* and Savings Certificates. Long-term savings instruments are insurance and pension funds. When I announced the Jeevan Suraksha in the Budget, it was aimed at savings. That is another long term saving instrument by which a person saves Rs. 250 a month and gets about Rs. 3,500 a months at the end of the term or so. Therefore, insurance all over the world and in India would promote savings. The higher the savings, the more the resources available for investment. Since these savings are long term savings, they would go into long term investment. That is the answer to Mr. Singla's question. Thank you, Sir.

SPECIAL MENTIONS

THE VICE-CHAIRMAN (SHRI MD. SALIM): We have Special Mentions. I would take the sense of the House. It is already 5.35 P.M.

SHRI S.S. SURJEWALA (Haryana): We will take up Special Mentions today itself, instead of tomorrow.

THE VICE-CHAIRMAN: It is your suggestion. What about other Members? ...*(Interruptions)* ... Okay.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. U. VENKATESWARLU): Mr. Vice-Chairman, Cabinet Ministers have to go to attend a Cabinet meeting.

श्री नारायण प्रसाद गुप्ता (मध्य प्रदेश): प्रायोरिटी पर रखे जाएं।

उपसभाध्यक्ष (श्री मोहम्मद सलीम): ऐसी प्रायोरिटी तो होती नहीं हैं। क्वेश्चन आवर पहले होगा, फिर जीरो आवर होगा, फिर दूसरा लेजिस्लेटिव बिजिनेस होगा .... **(व्यवधान)**

अभी कैबिनेट मीटिंग भी शिड्यूल्ड है। कैबिनेट मंत्री जाएंगें। दूसरे मंत्री रहेंगे। फिर यह शिकायत नहीं होनी चाहिए कि मंत्री जी नहीं है।

THE MINISTER OF EXTERNAL AFFAIRS (SHRI I.K. GUJRAL): My colleague, the Minister of State would be here.

THE VICE -CHAIRMAN (SHRI MD. SALIM): It is okay.

Problems of farmers of Bihar due to water logging and submergence of large tracts of land

श्रीमती कमला सिन्हा (बिहार): मैं इस सदन के सामने आपके माध्यम से सरकार का ध्यान एक बहुत ही आवश्यक विषय की ओर आकृष्ट करना चाहती हूं। बिहार के लाखों किसान इस विषय से जुड़े हुए हैं ।

लक्खीसराय, पटना, शेखपुरा और नालंदा इन चार जिलों में एक भूखंड है जो करीब ढाई लाख एकड़ का है। वह कटोरे के तल्ले की तरह, सासर के निचले हिस्से की तरह जमीन है। हमेशा आधी दर्जन से ज्यादा नदियों का पानी खासकर गंगा का पानी बारिश के समय उसमें जमा हो जाता है। इस पानी का जमाव अक्टूबर महीने तक रह जाता है। नतीजा यह है कि इस जमीन में न तो धान की फसल हो सकती है और देर से पानी की निकासी होती है इसलिए न ही रबी की फसल सही तरह से हो पाती है। जब कभी पानी की निकासी पहले हो जाए तो यहां बहुत बड़े पैमाने पर दलहन की उपज होती है। अगर इस इलाके में सही मायने में पानी की निकासी की व्यवस्था हो और रबी की फसल के समय सिंचाई की व्यवस्था हो तो पूरे हिंदुस्तान को यह दाल खिला सकता है। यह ताल इलाका कहा जाता है। यह जो कटोर के तल्ले की तरह जमीन होती है इसको बिहारी भाषा में ताल कहा जाता है। तो यह मोकामा बहिया? ताल अकेले पूरे हिंदुस्तान को दाल खिला सकता है। लेकिन दुर्भाग्य यह है कि इस पर तरह तरह की योजनाएं बनीं - पहले मुख्य मंत्री हुए थे डा. श्रीकृष्ण सिंह, उनके समय में ताल विकास योजना बनीं - लेकिन कागज पर रह गयी। थोड़ा बहुत काम जहां तहां हुआ लेकिन वह भी समय के साथ बेकार हो गया। बारम्बार इसके बारे में बातें होती आयी लेकिन कोई निश्चित बात कभी नहीं हो पायी, न ही कोई निश्चित आधार इसका कभी बना। पिछले दिनों जब श्री के.एल. राव साहब केंद्र में मंत्री थे तो उन्होंने एक कमेटी बनवायी थी। उस कमेटी के तहत इंक्वायरी की गयी और उस इंक्वायरी में कुछ सुझाव भी दिए गए थे। मैं विस्तार से उन बातों पर नहीं जाना चाहती हूं यहां क्योंकि सदन का बहुत समय लगेगा लेकिन मैं इतना जरूर कहना चाहती हूं कि श्री के.एल. राव साहब ने जो कमेटी बहाल की थी उस कमेटी के जो